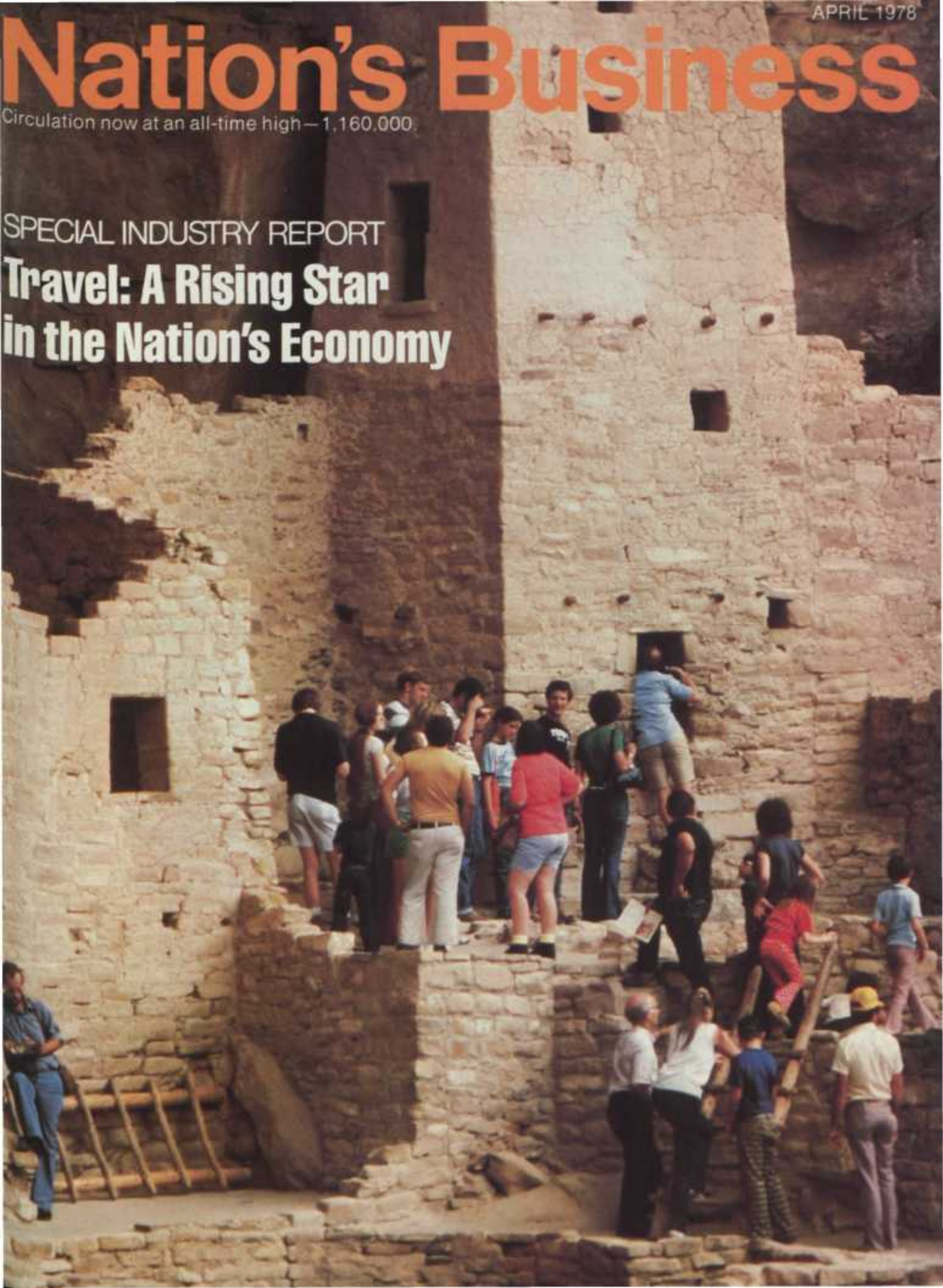
APRIL 1978

Nation's Business

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SPECIAL INDUSTRY REPORT

Travel: A Rising Star in the Nation's Economy





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Nation's Business

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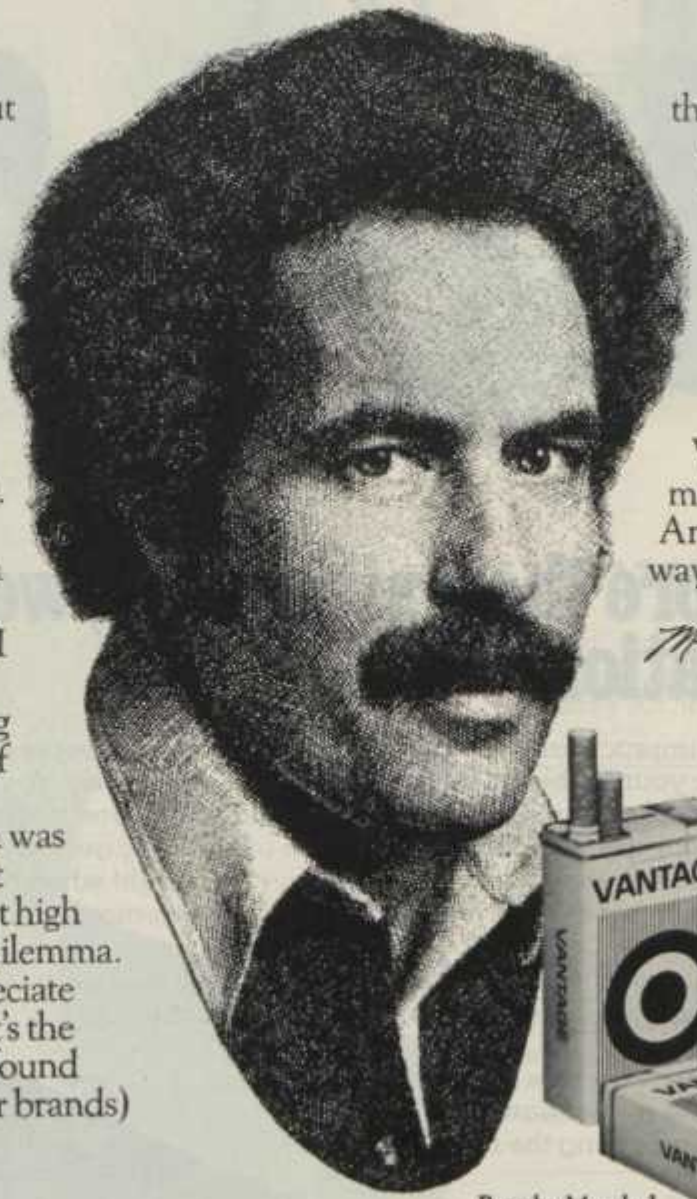
Cover: Tourists visit a cliff dwelling in Mesa Verde National Park, Colorado. Photo by Richard Rowan

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Mike Barbano

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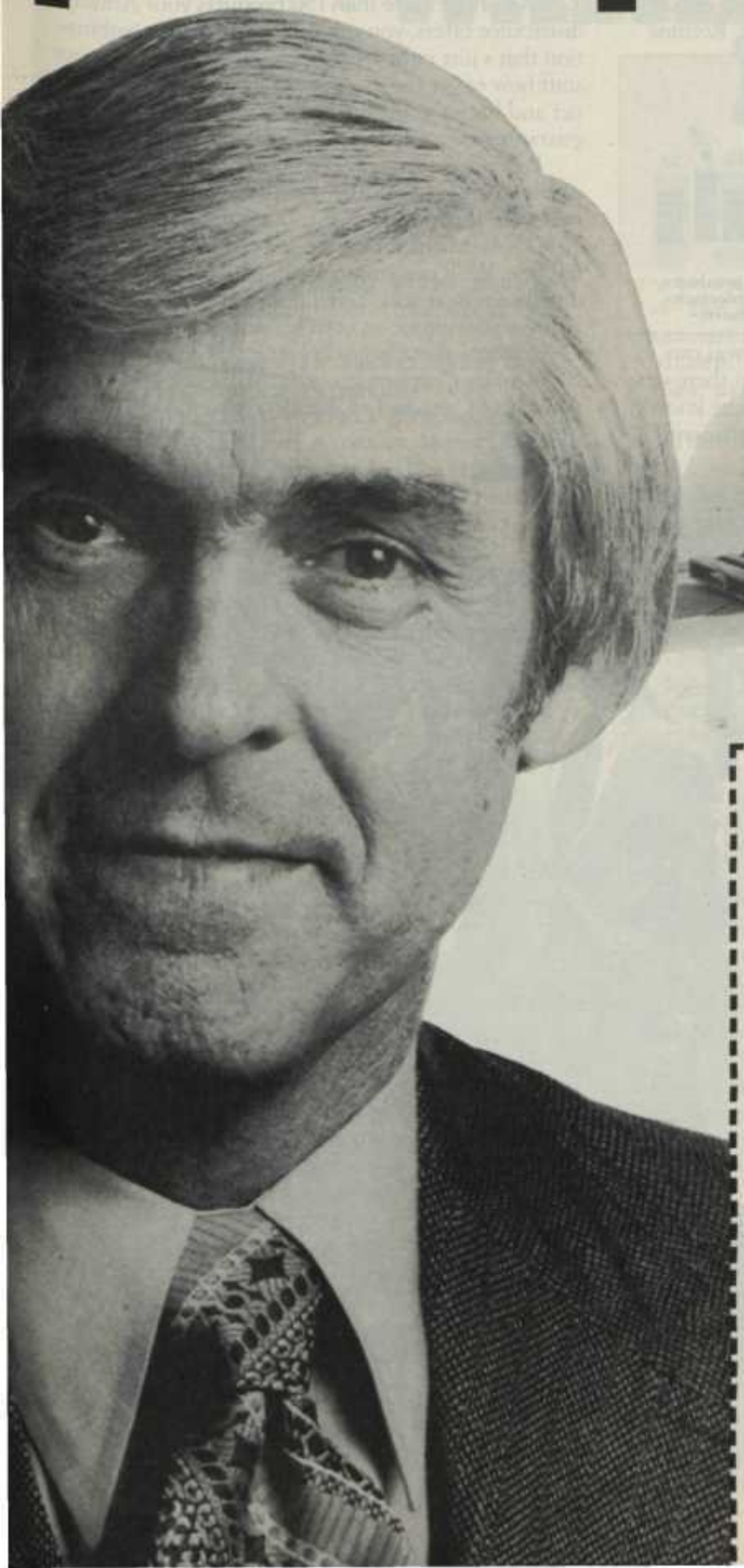
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WASHINGTON LETTER

▶ FEAR OF TAXPAYER REVOLT grips more and more members of Congress this election year.

Massive increase in Social Security taxes triggered angry outcry from Americans against overall tax spiral.

Political concern already impacting:

Senate Finance Committee Chairman Russell B. Long (D.-La.) tells President chances of passing crude-oil equalization tax near zero.

Reason: The public criticism against ballooning payroll taxes.

House Speaker Thomas P. O'Neill, Jr., (D.-Mass.) first advises White House against reopening Social Security tax issue, then only two weeks later tells administration it had better come up with rollback plan because "if you don't, Congress will."

For more details on tax situation, turn to page 25.

▶ WILL COAL STRIKE CAUSE a business recession?

Could happen.

Some areas have suffered more than others, but business economists look now at possibility some major economic indicators will turn down because of long delay in reaching settlement.

▶ STRIKING MINERS--160,000 in all--account for only two tenths of one percent of working Americans.

Yet their strike caused layoffs of thousands of nonstriking workers.

▶ ONE LESSON LEARNED from mine strike:

Don't count on White House pressure to help you stand off union moves for wage settlements that exceed productivity gains.

Coal company executives told Nation's Business that White House put extreme pressure on coal association to settle for far more than management considered reasonable or prudent.

Other implications of coal shutdown?

See page 48.

▶ FIGHT AGAINST INFLATION not going so well.

Labor Department survey shows wholesale prices (latest available) went up 1.1 percent in February.

That's biggest one-month jump since November, 1974.

Main cause: Food prices. But other prices went up as well.

Labor Statistics Commissioner Julius Shiskin warns against predicting major inflation surge--but he's quick to add there is cause for concern.

▶ SHOULD YOU EXPECT WAGE-PRICE controls a year or two down the road?

A lot of business people think so.

According to Gallup poll just finished for Chamber of Commerce of U. S., a lot of men and women who run companies continue to lack confidence in federal government's ability to deal with dual problems of inflation, unemployment.

Those surveyed--all kinds and sizes of business, big and small--are afraid President Carter's voluntary wage-price control proposal could turn into a mandatory control program within a year or two.

▶ UNIONS LOST more than half government-supervised elections last year, continuing downtrend third year in a row.

National Labor Relations Board's 42nd annual report shows that of 9,600 NLRB elections held in 1977, unions lost 54 percent.

Trend began in 1974 when unions split 50-50 on elections. The following two

years unions won only 48 percent of representational elections.

NLRB reports 1977 busiest year in history, with case load climbing above 50,000 mark.

This shows more and more labor-management disputes being handled by a third party--less bumping of heads.

Item to watch: Face-to-face battles between labor and management may be on way out.

▶ NO END IN SIGHT for spiraling costs of government.

Example: Welfare reform in President Carter's new budget proposals calls for $200 million expenditure next year.

But four years down the road--when program blossoms--welfare reform will add estimated $13 billion more than projections for programs now in effect.

▶ RELIEF IN SIGHT for small businessmen from growing federal regulatory burden?

Maybe.

Legislation ongoing in House now would require small business impact statements with federal agency rules.

Purpose: To ease compliance requirements and encourage federal agencies to issue fewer and less-complex rules.

Hearings held last month before House Small Business Committee on the bill, H. R. 7739. Federal agencies slated to testify in May or June.

Bernard S. Browning, member of National Chamber's Council of Small Business, told House committee the bill is no panacea for regulatory ills--but he calls it giant step in right direction.

▶ THAT PROPOSAL TO ABOLISH Civil Service Commission may be in trouble--at least parts of it.

House Post Office and Civil Service Committee Chairman Robert N. C. Nix (D.-Pa.) opened hearings in Washington last month on President Carter's plans.

But number of congressmen already balk at certain sections of proposal.

Background: President's proposal seeks to abolish Civil Service Commission and create--in its place--two entities:

One to manage bureaucracy with firmer hand. The other to create independent board to protect employees against abuses and represent their interests.

▶ WHAT'S BACK OF PROBLEM in Congress:

One part of Civil Service reform proposal seeks to limit veteran preference in federal hiring--already a hotbed of controversy.

Also: Some congressmen feel not enough job protection for employees.

▶ IMPORTANCE OF CIVIL SERVICE change--

It lays ground for total government reorganization, a main goal and campaign pledge of President Carter.

▶ MORE EFFICIENT GOVERNMENT, through reorganization, may make it easier for you to deal with Uncle Sam.

Regulatory agencies, through reorganization, may be able to combine some operations. This could mean:

Fewer inspections at your job site.

Fewer forms to fill out.

Could save you money.

▶ BUSINESS CONCERN with Civil Service reform centers on related efforts to strengthen union posture in collective-bargaining process.

Such a move could give special stature to federal employee unions, stature they do not now have.

Could also result in many federal employees flocking to union ranks to be protected.

New voice, more power for federal employee unions could result in bigger union say on matters within government.

▶ POORER HALF of American households--earning less than $10,000 a year--paid only six percent of taxes in 1976.

But they took home only about one fifth of all income.

Richer half--earning more than $10,000 income--paid disproportionate share of income taxes: 94 percent. But they earned 81 percent of income.

Treasury Department study reveals households earning $17,000 or more a year made half the income--and paid more than 70 percent of taxes.

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The Waste Watchers.

Economic Benefits of Our Space Program

"Space: Industry's New Frontier" [February] is one of the best articles on the space shuttle I've read.

However, an aspect of this article disturbs me. One can easily get the impression that, without the space shuttle transportation system, space exploration is at best only marginally profitable. This is an entirely false impression.

Last year, our local newspaper, the "Boca Raton News," had a question in the "Ask Them Yourself" section, in which astronaut Edwin E. Aldrin was asked about how economically beneficial the space program has been.

Mr. Aldrin's reply:

"The medical benefits alone are worth more than all the money spent on Mercury, Gemini, and Apollo. I think the space program was by far the best bargain we've ever had. When have we ever completed anything of comparable significance on time, reasonably close to original cost estimates, and far surpassing expected results?"

JOHN H. FADUM
Deerfield Beach, Fla.

The article on space was one of the most outstanding I've seen in your magazine. It was a very positive comment on an area too much neglected by the media.

JOE RICHARDSON, C. P. A.
Richardson and Ellison C. P. A.'s
Gainesville, Fla.

Benefits of not smoking

I believe the objective of your article, "The New Business Boom—Employee Fitness" [February], was to increase productivity through improved employee health.

It was surprising that no mention was made of a program to induce smokers to kick the habit. There is no controversy about the fact that smokers lose more time than others due to heart attacks, respiratory ailments, and other illness.

Many times, when such employees should be most productive, they are lost to early retirement and premature death.

How about a hard-hitting article on the perils of smoking to the smoker and nonsmoker, the increased productivity of nonsmoking employees, and the benefits to the bottom line for companies that prohibit smoking in the workplace, do not hire smokers, and have programs to help their employees break the habit.

Nonsmokers have the right to breathe noncontaminated air.

WILLIAM L. McGRAW
St. Johnsbury, Vt.

Agriculture's role

Congratulations on the article, "Why the Farmers Are Angry" [January]. Agriculture's importance to our national economy and international relationships, and the way a host of Midwestern communities depend on it, require a healthy agricultural sector and a better understanding of its role.

I believe your article contributes to these objectives.

THORREL B. FEST
President
Fest Farms, Inc.
Boulder, Colo.

Class-Action suits

"Business: A Look Ahead From Washington" [February] carried an item about a Justice Department proposal for "antibusiness bounty hunters."

The item was sharply critical of an effort by the United States government to improve procedures for class-action damage claims under federal law.

Surely every consumer in the United States, including all business lead-

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ers, has been cheated by the carelessness or even outright dishonesty of some business producing a poor product.

When the price of the product is too small to warrant an individual action to hinder its producer, something like a class-action suit is needed.

The effort of the federal government to simplify the action would seem to be a giant step forward for us all.

I would like to think that NATION'S BUSINESS is interested in business health and not business gain. Business gain without business health is business death.

Allowing business to produce shoddy merchandise for public sale is going to lead to business demise and not health.

ROBERT C. LUCKEY, M. D.
Richland, Wash.

Economics for the young

Several of us at this office read with great interest the article, "Introducing Johnny and Mary to the Business World" [January]. We would like more information about the "Economics for Young Americans" kits.

Please send additional details regarding cost of the program, and, if possible, a kit which we could show to the superintendents of schools in the various communities in our operating region.

We see great potential for combining this program with a discussion of environmental pressures affecting many of our operations.

PETER R. LANGLOIS
Public Affairs Manager
North/Central Region
Weyerhaeuser Co.
Schofield, Wis.

[Editor's note: There are two "Economics for Young Americans" kits.

["Phase I" ($35) deals with profits, productivity, money, and business/ecology. "Phase II" ($40) discusses paychecks, pricing, competition, and savings. Both kits are available from Robert Moxley, project director, Economics for Young Americans, Chamber of Commerce of the United States, 1615 H St. N. W., Washington, D. C. 20062.]

Your article, "Introducing Johnny and Mary to the Business World," interested me greatly. The concept of using these kits to educate students is quite good. It should also be possible to educate teachers and parents.

How can we expect pupils to understand the business world when economic and social-studies teachers alike do not?

Possibly, if we were to educate the U. S. public on this matter, our government wouldn't be in its present economic situation.

MARCY LYNN COLKITT
Plumville, Pa.

A libel on businessmen

The pseudonym three-martini lunch for a business-related lunch is almost as vicious as tax loophole is for a tax incentive.

Tax incentives were designed to encourage the investment of already earned dollars to create jobs and opportunities for the employable, all at some risk to the investor.

Business lunches are an effort on the part of an entrepreneur to influence a second party to invest in his particular product or service to the benefit of both of them.

Make no mistake about it. People still do business with other business people they like and admire.

Most businessmen have to produce to hold their positions. Three martinis definitely are not conducive to meaningful production.

Three-martini lunch! The creators of this untruth or half-truth should be sued for libel.

THOMAS J. COLLINS
Certified Advertising Specialist
Thomas J. Collins & Associates
Cerritos, Calif.

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VERNON SINGLETON
Vice President
T. & T. Drilling Co., Inc.
Victoria, Texas

Not in Arizona

"Love Affair With Tennis" ["Business Life-Style," February] shows Arthur Ashe playing in what you call Tucson, Ariz.

Please note that the bunting behind him clearly shows "Mission Hills," which is not in Arizona, but in Palm Springs, Calif.

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BY JAMES J. KILPATRICK

How Real Is That Trend Toward Conservatism?

BACK IN January, CBS News and "The New York Times" published the findings of a poll they had just undertaken on a random sample of 1,599 adult Americans. The findings were intended to tell us something about "The New Right—What It Means." This is the way the press release began:

"By their own testimony, Americans are more conservative than they used to be. Not only are more people calling themselves conservative now than before, but about a quarter say their political views have changed and become more conservative in the last few years. But this swing to the right may not be as clear-cut as it appears. . . ."

There can be little disagreement with that last observation. Speaking as a dues-paying, accredited member of the Old Right, I have no idea what this poll of the New Right means. It is marvelously tempting to take the pollsters' tabulations and the press release at face value and to trumpet the New Jerusalem. If Americans indeed are becoming steadily more conservative, a political millennium may be at hand.

DON'T BET on it. The findings announced in January corroborate a trend that other professional pollsters have been remarking for the past 20 years. In 1972, for example, a Gallup Poll found that people identified themselves in this fashion: Very liberal, eight percent; moderately liberal, 18; middle of the road, 33; moderately conservative, 23; and very conservative, 14. Four percent of the people didn't know how they regarded themselves.

According to the CBS News-"Times" poll, the figures have changed considerably in only six years. Now only four percent—half as many—regard themselves as very liberal. As for the rest, the moderately liberal now score 19; middle of the road, 27; moderately conservative, 32; and very conservative, ten. Eight percent of the respondents don't know what they are.

As other findings of the poll make evident, the "no opinions" actually number far more than eight percent. When respondents were asked to identify the greatest differences between liberal views and conservative views, 45 percent said they didn't know. Many persons think of themselves as conservatives because liberalism in recent years has had a bad press. Or maybe they just like the sound of the word.

This ideological confusion is reflected in the CBS-"Times" poll's report on positions on issues. What are some of the positions that conservatives are supposed to hold? The conventional wisdom teaches us that conservatives oppose the Humphrey-Hawkins bill, oppose gun control, oppose national health insurance, oppose sex education in the schools, oppose government regulation of safety standards, and support laws to restrict pornography. But in this poll, those who styled themselves conservative had small respect for the conventional wisdom. More than half of such respondents supported the very propositions that conservatives putatively oppose, and on the issue of pornography, these self-styled conservatives were almost exactly divided: 48 percent said the sale of pornography should be restricted, 49 percent said adults should be allowed to buy what they please.

IT IS HARD to know what to make of all this. In my own critical view, the poll questions were so ineptly drafted that the tabulated findings could have little meaning. One question, for example, asked about "government spending for domestic programs." Should this spending be increased, reduced, or kept at present levels? One would like to inquire: What domestic programs? Another question, obviously based on Humphrey-Hawkins, asked whether the respondent agreed or disagreed that "the government in Washington ought to see to it that everybody who wants to work has a job." The issue cannot validly be translated into this kind of baby talk.



Let me pursue the point, because in any such poll the wording of a question is vital. Respondents were asked in Question 23 (d) whether they agreed or disagreed with this statement: "The government ought to help people to get doctors and hospital care at low cost." Not surprisingly, 81 percent agreed, 14 percent disagreed, and only five percent had no opinion. Even among the self-styled conservatives, 79 percent agreed. The question was cocked and loaded to produce precisely such an affirmative reaction.

The CBS-"Times" question on helping "people to get doctors and hospital care at low cost" may be usefully contrasted with a question posed last year by NBC in a poll of its own. The NBC pollsters asked: "Do you favor

or oppose a national program of health insurance with the individual paying part of the cost and the remainder being paid by the government through increased taxation?" It was a much better question, and it produced a vastly different response: In favor, 36 percent; opposed, 48 percent; not sure, 16 percent. And when NBC's pollsters pursued the issue, asking "what is the most you are willing to pay" for such a program, only 13 percent were willing to pay more than $100 per year per person, 16 percent were willing to pay less than $100, 18 percent weren't willing to pay anything at all, and 53 percent didn't know. A recent estimate places the cost of the Carter-Kennedy comprehensive program of national health insurance at $162 billion a year. Something more is at issue than the government's helping "people to get doctors and hospital care at low cost."

COULD QUESTIONS be phrased that fairly would measure conservative and liberal positions? I think it unlikely. Four or five years ago, when the Watergate scandal was hot, conservative columnist George F. Will agreed to serve on a panel discussing the whole affair. Going into the hall he asked himself: "What is the conservative position on burglary?" Today, what is the conservative position on the Hyde amendment on abortion? What is the conservative position on recodification of the criminal code? On the Panama Canal? On deregulation of natural gas?

Such measurements are not likely to tell us much of anything—for conservatism is more than a position on topical issues; it is an abiding state of mind. I know what I myself mean when I talk about contemporary conservatism. I am talking about a body of ideas, attitudes, convictions, and doubts. For example: the idea of divine design of the universe; an attitude of respect for the wisdom and experience of the past; a conviction that variety is better than uniformity; a doubt that man is perfectible through the instruments or manipulations of the state.

There is much more to the conservative philosophy. Conservatives believe that a civilized society demands orders and classes, that men are not inherently equal, that change and reform are not identical, that in a free society men are children of God and not wards of the state. Read Russell Kirk's "The Conservative Mind." It is all there.

As I say, it would be wonderfully comforting for me, as a practicing conservative, to believe that Americans in increasing numbers are turning to my philosophy. I have been preaching the conservative gospel for nearly 30 years, since the late John Dana Wise led me gently to Edmund Burke and thence to Locke and Adam Smith, to the Founding Fathers who greatly debated in the Virginia Convention of 1788, and so to Randolph, Calhoun, and such contemporary thinkers as Kirk, Friedman, and Kristol.

What I have gleaned from all this is a love of diversity, which in our system portends a love of federalism, which is to say, an affection for the states as laboratories of political experience. And I have come to identify with the single human being—the one man or woman, individually—as distinguished from case loads, regions, and masses. More than anything, I have learned that, in political life, the name of the game is power and that the most absorbing study of a lifetime is the study of power—how it is won, lost, exercised, and abused—and above all else, how power may be restrained.

THIS IS turning into a rather more serious essay than I had intended at the outset, but essays have a habit of forcing their own way. Applying some of my conservative principles to topical issues, I understand why the conventional wisdom identifies certain positions as conservative positions. For example, most principled conservatives do tend to oppose the proliferating web of federal regulations for soundly conservative reasons: We fear the concentration of power, and we are skeptical of so much uniformity in areas where diversity would be better. Most conservatives oppose gun registration, or gun confiscation, out of a conviction that such laws will not reform criminals. Futile undertakings should not be undertaken.

Some of these same principles apply to the issues raised in the CBS News-"Times" poll. How do conservatives stand on national health insurance? Our principles teach us that, in a free society, families should be free to tailor their own plans of medical care, that individuals should be primarily responsible for their own health, and that government's proper role should be limited to the *public* health and the *public* safety—to providing pure water and preventing the spread of contagious diseases. Thus, conservatives of course will oppose a federal program that would wipe out a productive and profitable private enterprise, that would impose uniformity in the place of variety, and that would result in a massive extension of federal power into the most intimate areas of everyday life.

Are these principles much contemplated? I doubt it. Is conservative political philosophy a major factor in our public life? You never would believe it from the election returns. The Republican Party is generally regarded as the more conservative of the two major parties; the contrasting party platforms of 1976 surely would support that popular view. But the Republican Party has seldom been worse off. The party holds barely one third of the House and Senate, one third of the seats in state legislatures, and one fourth of the governorships. Polls indicate that barely 18 percent of the adult population is prepared to declare a Republican affiliation; among voters 18 to 25, the percentage is even less.

IF ALL THIS CONSERVATISM exists, why hasn't it been manifested politically in a Republican revival? If people generally are all that opposed to federal regulation and regimentation, why have they permitted a thousand programs of state aid to take root and grow? Self-reliance is a conservative principle. The work ethic is a conservative ethic. The free marketplace is vital to the conservative's economic philosophy. How come all these people got on welfare? Why has honest labor fallen into disrepute? What causes have induced anemia in competitive free enterprise?

For my own part, I doubt that any great trend toward principled conservatism can be empirically measured. As a motivating factor in our political life, pure ideology may count for something—but it doesn't count for much. □

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*Source: McGraw-Hill Laboratory Advertising Performance Report

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A LOOK AHEAD FROM WASHINGTON

Plugging the Welfare Leak on Sponsored Aliens

Abuse of the nation's welfare system is due to get stronger attention in Congress.

Sen. Charles H. Percy (R.-Ill.), a leading advocate of reform of the system, has introduced an amendment to the pending Social Security Reform Act (H. R. 7200) to plug one leak, which permits some aliens to go on the supplemental security income rolls soon after arriving in this country. The SSI system is a joint federal-state welfare program for persons who are aged, blind, or disabled.

Currently an alien's sponsor signs an affidavit promising to support the alien if necessary. But this piece of paper isn't legally binding. Sen. Percy's amendment would make the affidavit binding—a legally enforceable contract. If the sponsor reneges on his promise and the alien draws SSI payments, the federal government and state and local governments could promptly recover from the sponsor any public assistance funds that had been paid.

Further, the amendment would establish a five-year residency requirement before most aliens could become eligible for SSI payments. Currently all aliens can begin collecting 30 days after arrival for causes that arose prior to their entry.

Big Labor Will Press for More Jobs Creation

The AFL-CIO, which usually has its legislative shopping list ready when Congress returns to Washington in January, held off this year until after the annual presidential budget message. As expected, President George Meany didn't like everything he saw.

Big labor's executive council reiterates a preference for use of general revenue funds to ease the fiscal problems plaguing Social Security, comes out adamantly against President Carter's proposal for permanent tax cuts for business, and generously favors doubling Mr. Carter's job-creating program.

The AFL-CIO this year will press for a rollback of the Social Security tax rate to 5.85 percent in 1979. The $5.4 billion reduction in taxes, says the AFL-CIO executive council, would stimulate the economy and create jobs. The shortfall would come from general revenue funds.

Big labor will provide strong support for the President's proposals to eliminate or reduce business tax deductions for entertainment expenses but will oppose Mr. Carter's $8.4 billion in permanent tax cuts for business.

The AFL-CIO will seek $13.25 billion in additional budget authority for the administration's job-creating program. The Carter proposal calls for a total of 948,000 public service and youth training jobs. The AFL-CIO wants funds to create 950,000 more jobs in the public and private sectors.

And big labor will push strongly for protectionist foreign trade legislation. Labor officials will argue that they are not against free trade, but favor fair trade.

In the way of increasing employment, the AFL-CIO executive council calls for $3 billion to create 120,000 jobs in public works such as water systems, bridges, and highways; $4 billion to create 400,000 more public service jobs, so that a total of 1.125 million such jobs is reached in fiscal 1979; $1 billion to create 200,000 more youth training jobs, for a total above 360,000; and $2 billion to the Housing and Urban Development Department tandem housing program, which provides low-interest loans for rental housing for people with low or moderate incomes. This would create 80,000 jobs.

Also, the council wants $1.25 billion for an urban development bank that would guarantee loans to help enterprises locate, remain, or expand in cities with high unemployment. This would create 70,000 jobs. And the council wants $2 billion more in mass transit funding and railroad rehabilitation to create 80,000 jobs.

Energy Department Plans to Deregulate Aviation Fuels

The Department of Energy now proposes to deregulate aviation gasoline and jet fuel. Earlier this year, the department asked for decontrol of motor gasoline.

If the moves are approved by the Federal Energy Regulatory Commission, only crude oil, natural gas liquids—propane, butane, and natural gasoline—and synthetic natural gas feedstocks will remain under petroleum price and allocation controls.

The Energy Department says that decontrol of aviation fuels will have no adverse price or supply effect and that market forces are adequate to protect consumers.

Bill Proposes New Tax Break in Sales of Business Interests

Sen. Floyd K. Haskell (D.-Colo.) has introduced legislation to give business owners another option in disposals of their investments.

Under present law, an individual who owns an interest in a small business can swap that interest for stock in a corporation, deferring payment of capital gains tax until the stock is sold.

This, the senator claims, encourages greater concentration of business.

His bill, S. 2428, the Small Business and Farms Capital Preservation Act of 1978, would give a similar tax break to an investor in a small firm who sells his interest for cash and reinvests at least 80 percent of the proceeds in another small business within a year. The investor would not be required to pay taxes on the reinvested amount until—and if—the money is taken out of the new business.

Record Volume Predicted for Agricultural Exports

Along about the time a gaggle of bills to change the farm parity program was falling into the legislative hoppers on Capitol Hill, the Agriculture Department recalculated the farm export outlook for 1978.

The department estimates agricultural exports for the year ending Sept. 30 will reach a record volume of more than 110 million tons, an eight million ton increase over fiscal 1977. But because of price drops, the dollar value will range between $22 billion and $24 billion. The dollar value of agricultural exports in fiscal 1977 was $24 billion.

Figures in 1978 could be higher, depending on the Southern Hemisphere crop situation and how fully U. S. farmers participate in the set-aside and grain reserves programs.

Due to higher meat and sugar prices, U. S. agricultural imports are expected to range between $13 billion and $14 billion. As a result, our agricultural trade surplus won't match last year's $10.6 billion.

National Stockpiling Overhaul Is Proposed

The nation may eventually have a single national stockpile of critical materials sufficient to carry our military machine and civilian economy through a three-year national emergency.

Currently the nation has three stockpiles—the national stockpile, the supplemental stockpile, and the stockpile created by the Defense Production Act.

Sens. Gary Hart (D.-Colo.) and Strom Thurmond (R.-S. C.) have introduced a bill, S. 2575, that would combine all three into a single national defense stockpile. Headed by an administrator, the combined stockpile would be for use only in an emergency, for both the private sector and national defense.

The bill also calls for updated stockpiling. "Because the existing law is so vague and conflicting," says Sen. Hart, "there have been essentially no additions to our strategic stockpiles since 1959 and there have been no disposals authorized since 1974. It is time for an overhaul."

The bill would give specific congressional guidance for the first time on the size of the stockpile as well as its use. Also new would be a requirement for congressional approval on acquisitions. Congressional approval now is only required for dispositions.

Moving North Is New Trend for Some Americans

While migration to Maine, New Hampshire, and Vermont helped those states grow faster than the national average, Census Bureau estimates show a continuation of the migration to the sunbelt states and the West from 1970 to 1977. Those regions were still the fastest growing.

As a whole, the nation's population increased 6.4 percent.

Except for Maine, New Hampshire, and Vermont, there was net out-migration from the Northeast states. There was net out-migration also from the North Central states, but again, there were exceptions: Wisconsin, Nebraska, and North Dakota posted small net in-migrations.

Three states—New York, Pennsylvania, and Rhode Island—and the District of Columbia lost population between 1970 and 1977.

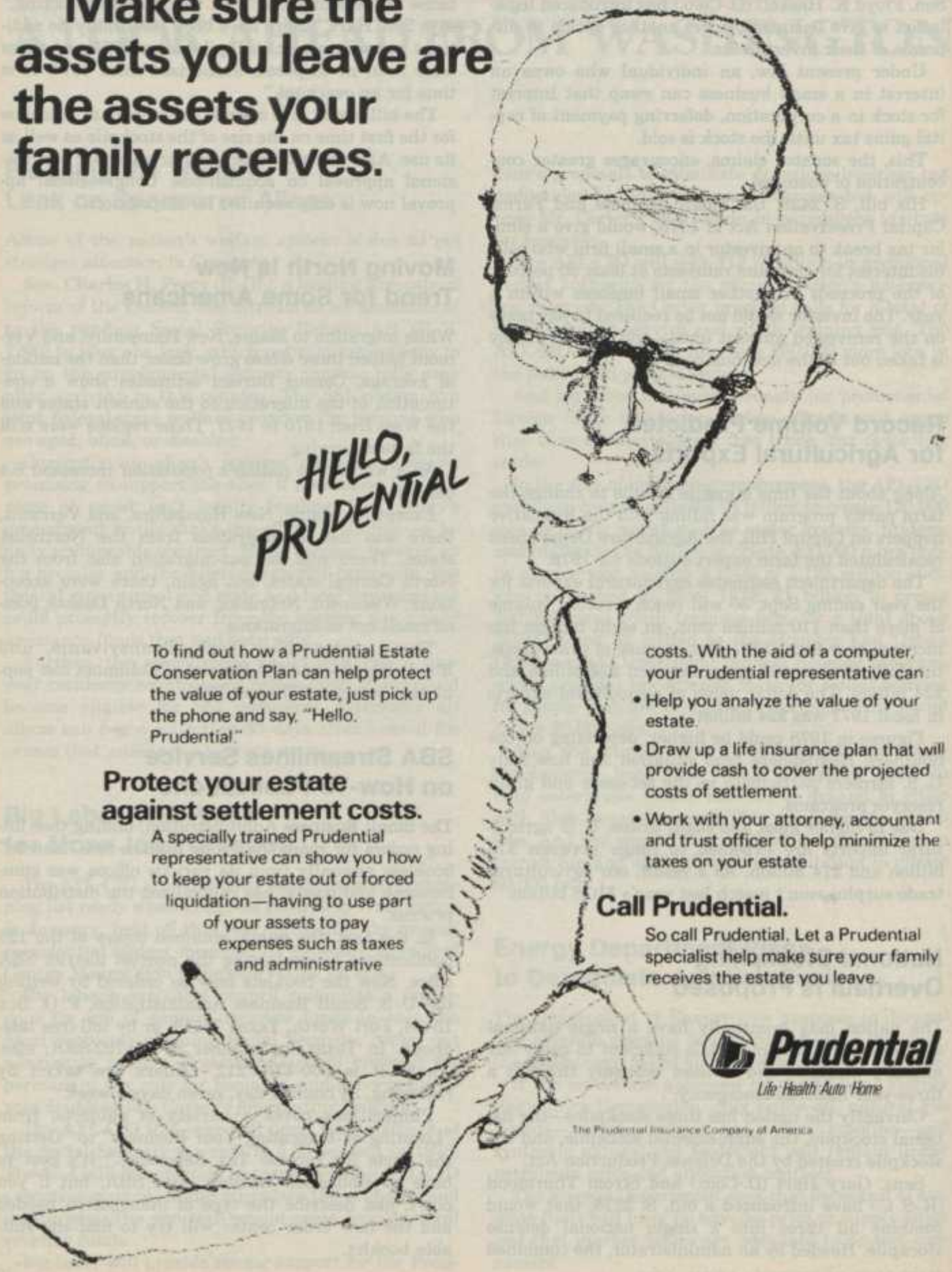
SBA Streamlines Service on How-To Publications

The Small Business Administration, finding that filling orders for more than four million free "how-to" booklets annually from its various offices was cumbersome and costly, has centralized the distribution process.

In the past, the public obtained copies of the 125 publications by contacting the nearest district SBA office. Now the booklets may be ordered by writing the U. S. Small Business Administration, P. O. Box 15434, Fort Worth, Texas 76119, or by toll-free telephone. In Texas the number is 800-792-8901; elsewhere it is 800-433-7212. Orders are taken by recording, 24 hours a day, seven days a week.

Publications cover a variety of subjects, from "Locating or Relocating Your Business" to "Getting the Facts for Income Tax Reporting." It's best to have a publication number, says SBA, but if you don't, just describe the type of information needed and the new order center will try to find the suitable booklet. □

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Should the Deadline for ERA Be Extended?

LIKE MANY a proposal that has created an emotional storm, the Equal Rights Amendment is simply stated: "Equality of rights under the law shall not be denied or abridged by the United States or by any State on account of sex."

But the proposed 27th Amendment to the U. S. Constitution is bogged down in uncertainty. It sailed through 30 state legislatures within a year of its passage by Congress on March 22, 1972. Since then, it has had rough going. By the end of 1975, only four more states had ratified; in 1976, not one did and last year, only one joined the list.

The total, 35, is three shy of the 38 needed for completion of ratification, although a court challenge can be expected if the 38 figure is reached. (Legislatures of three states have rescinded their previous ratifications, but it is not generally accepted that they could legally do so.) In proposing the amendment, Congress set a seven-year deadline for final action. The time crunch has placed proponents of ERA in a dilemma. Should they support a resolution by Rep. Elizabeth Holtzman (D.-N. Y.) to extend the deadline for seven years? Or should they shun the resolution and pour all their efforts into the eight states where ratification is viewed as possible before time runs out?

Rep. Robert McClory (R.-Ill.), a steadfast supporter of ERA, plans to vote against the resolution. "It's as if we are in the eighth inning of a baseball game and we are behind," he says. "This proposal says we want to add three innings. But we still may win in the ninth inning."

Nationwide, says Liz Carpenter, a cochairman of a pro-amendment group called ERAmerica, just 16 members of legislatures "are standing as the blockade against the ratification of ERA." And despite setbacks, many pro-ERA people believe the tide is turning toward ratification again.

Parting that wave of optimism is the blunt opinion of Phyllis Schlafly, one of the most vocal opponents of ERA: "Without extending the deadline for ratification, ERA doesn't stand a chance."

Opponents of ERA, of course, oppose extension. They have historical precedent on their side. Of the 26 amendments added to the Constitution so far—including four which, like ERA, had congressionally set deadlines—none required more than four years to ratify.

Therefore, ERA opponents say, there is no justification for giving this proposal extra time.

Should the deadline for ratification of the Equal Rights Amendment be extended?

What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should the deadline for ratification of ERA be extended? ☐ Yes ☐ No

Comments: _____

Name _____ (PLEASE PRINT) Title _____

Company _____

Street address _____

City _____ State _____ Zip _____

The Dollar Bill: Both Sides of the Coin

IN THE 12 months ending last September, the Treasury Department replaced 1.7 billion worn-out dollar bills, considerably more than half of the 2.8 billion dollar bills in circulation.

Now Treasury is seeking authority to replace all the nation's dollar bills. It is asking Congress for permission to mint a new $1 coin, one that would be smaller—and therefore presumably more popular—than other dollar coins have been.

Treasury's basic motive: expense-saving. Though it would cost three cents to mint one of the new coins, as against 1.5 cents to replace a dollar bill, the coin would have a life expectancy of 16 to 20 years as against 18 to 24 months for the dollar bill.

The "Sound Off to the Editor" question in the February issue of NATION'S BUSINESS asked: "Should the government begin minting a new, smaller, $1 coin?"

Results: a toss-up. Half of the readers responding voted yes, and half voted no.

"Anything to save the government money," says Joseph A. Courter, president of Courter & Co., Inc., New York.

However, V. G. Feather, a petroleum exploration consultant in Midland, Texas, says: "Anything the government does costs the taxpayer more than the estimate."

Convenience is a major issue in the responses, along with cost.

Alex Olstein, president of Lemontree Corp., Kearny, N. J., favors the change because "it is easier to take out a coin from your pocket than a wallet. A convenient $1 coin would be useful."

Paul G. Stewart, assistant vice president of Title Insurance & Trust Co., Riverside, Calif., says he would "rather carry three or four dollar coins than dollar bills in a money clip" because the coins would be "easier to use."

But Marcia Grusin, president of Royal Paper Products Co., Chicago, says: "The $1 coins would be too cumbersome for wallets and easily confused with quarters or half-dollars."

Donald E. Burke, president of H. E. Burke & Sons, Inc., Watertown, Mass., says that it "would be extremely difficult to carry very many of the coins." Treasury, he adds, "can't be serious."



D. F. Whitehead, chairman, The Standard Register Co., Dayton, Ohio, votes yes to the dollar coin. "The estimated savings cannot be ignored," he says.



"No," says Patricia Giglia, vice president, Bellevue Commercial & Savings Bank, Highland Heights, Ky. "The public would not be receptive to the change."



Pedro A. Gil, controller, Vanguard Electronics Co., Inglewood, Calif., says: "By all means. If our money has cheapened, let's face the fact as the first step."

Some respondents, who vote no to the dollar coin, wonder if there aren't ways to cut the cost of maintaining the supply of dollar bills.

James Witt, assistant manager of a Taco Bell restaurant in Tyler, Texas, asks: "Has the idea of recycling been examined? Apart from the ink and the coating on the bill to keep the ink from smearing, is the overall cost higher than melting and punching coins?"

William O. Younger, manager of transportation for Arkansas Power & Light Co., Little Rock, asks: "Why not use a plastic fabric for bills?"

And Ford A. Marsh, president of Duraclean International, Deerfield, Ill., asks: "Since a dollar is worth so much less today, how about a smaller paper dollar? Half size, it would not require folding and would, therefore, last longer. Also, it would be cheaper to produce."

Various suggestions for making a new $1 coin acceptable to the public come from respondents who vote yes to the coin.

Stephen T. Porter, Sr., owner of Holliston Pharmacy, Holliston, Mass., says that "as a retailer, I can foresee a rash of problems with a round coin because the coin's size would be between those of the 25-cent and 50-cent pieces, and it could be confused with them." He suggests "a multisided coin."

John W. Seylaz, product engineering manager of Automatic Switch Co., Florham Park, N. J., suggests: "Make the coin more attractive and acceptable to the public by changing the design each year. Canada does this very effectively by commemorating a different event or person."

Sam Steere, vice president of Davenport Construction Co., Harbor City, Calif., says that "use of silver would add integrity to the coin."

And Dewey Bergquist, director of weather services at WDAY-WDAZ TV, Fargo, N. Dak., suggests making the coin "out of one dollar's worth of gold-tinted titanium. With the value of tita-

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nium constantly on the increase, the value of the dollar would constantly climb."

Arthur H. Murphey, president of the Hausted Co., Medina, Ohio, echoes a common sentiment in saying: "The quickest and surest way of reducing whatever value our money may have is to make the dollar bill a coin. It would not help the value of money in the eyes of young folks growing up today."

However, Joy Engelbach, assistant director of data processing for Simplicity Patterns Co., Inc., New York, says: "The idea of the dollar in the shape of a small coin does not cheapen the worth of it. The dollar does not have much value today, anyway."

Sidney J. Lieberman, assistant vice president of Midlantic National Bank, Raritan Valley, Port Reading, N. J., objects to minting of the coin because it "would create a logistical problem for banks in the form of vault storage space, and the normal cash register is not geared to have an extra slot for a $1 coin."

E. E. Anthony, Jr., president of The Commercial Bank, Andalusia, Ala., makes a similar point. "The cost of changing machinery in our bank would be prohibitive," he says. "Also, transportation of currency from our bank to customers would be too unwieldy."

However, Kenneth C. Wehmueller, president of Response Systems, Inc., Annapolis, Md., says: "Those who make a case against the new coin because of added costs have a very weak argument. Are we all not beset with some new cost of doing business almost daily? And do not these costs usually end up in an improved bottom line for the producer?"

Alliene B. Chambers, owner of Barnes Real Estate Co., Pigeon Forge, Tenn., says that the new coin would "save tax dollars and not put too heavy a burden on businesses."

And Claude D. Robinson, owner of the Tazewell Package Store, Tazewell, Tenn., says: "I run a business, and I get $1 bills all wadded and torn. I spend half my time patching $1 bills and trying to keep them straight."

The proposed coin would provide "very important" savings for the vending machine industry, says Donald C. Rockola, president of Rock-ola Manufacturing Corp., Chicago. "At present, bill acceptors are used which cost ten times as much as a coin acceptor."

R. F. Jorgensen, Jr., vice president and assistant manager of Great Falls Coca-Cola Bottling Co., Great Falls, Mont., says that "at the present rate of inflation, a dollar for soft drinks in vending machines is quite probable within 20 years." He adds that a smaller dollar coin would be practical now, as well as in the future.

However, Joan Sanford, owner and operator of Busy Bee Laundromat, Elkhorn, Wis., says that a dollar coin would "cause trouble in vending machines and coin changers, and the cost of conversion would be too high for businesses."

Many of the responses are based on special expertise.

Geoffrey Hawkes, assistant vice president of Island Federal Savings & Loan Association, Riverhead, N. Y., says a dollar coin would benefit S & L's. "People have a tendency to save coins in bottles and boxes," he says. "Then they deposit rolls of the coins in their savings accounts."

On the other hand, Donald L. Recker, pastor of Trinity Christian Reformed Church, Anchorage, Alaska, opposes the dollar coin. It "would make the offering segment of the worship service distressingly noisy," Rev. Recker complains. □



The Taxpayer Fights Back

By Robert T. Gray

Angry citizens are buffeting government at all levels with protests against oppressive taxation. And the protests are beginning to bring action

MEMBERS of Congress complimented themselves on their generosity in a 1972, pre-election action raising Social Security benefits 20 percent and providing for automatic future increases.

After all, boosting Social Security payments had long been considered a surefire vote-getter.

But the pendulum has swung since 1972 to the other side of the issue.

The political emphasis is no longer on how to gain votes from beneficiaries but on how to avoid losing the votes of those billed for the sharply increased costs.

Members of Congress have been stunned by the wave of protests generated by their late-1977 passage of legislation increasing Social Security taxes $277 billion over the next ten years, the largest peacetime tax increase in the nation's history.

Taxpayer resentment—some say it's reaching the proportions of a revolt—is spreading at the state and local levels as well, and similar factors are involved.

A new mood

Soaring taxes, particularly those on property, are causing more and more individuals to take a hard look at what they are paying for government and to be less concerned over what government can do for them.

While such issues as the Panama Canal, energy, and economic policy are among the most visible in Congress, there is an underlying mood of sharp concern on Capitol Hill over voter reaction to the latest Social Security tax increase.

Increases in the past had aroused little or no opposition. It was the size of the new one that brought home to taxpayers just what Social Security is costing.

The tax rate will go from 5.85 percent in 1977 to 7.15 by 1987, an increase of 22 percent. The wage base—the amount of pay to which the rate is applied, will go to $42,600 from the present $17,700, an increase of 140 percent.

In a broader perspective, the maximum tax paid by an employee and matched by the employer was $468 in 1972, when the present round of Social Security cost escalation began, and it will be $3,046 in 1987.

Deductions offset cuts

While the top levy is paid only by those earning up to the wage base, the increases will affect employees at every wage level.

"We are all well aware of the widespread discontent among the people of this country with the Social Security legislation which was enacted in the last session," veteran Rep. Fred B. Rooney (D.-Pa.) told the House of Representatives in announcing his support for one of many bills that have been introduced to roll back the payroll tax increases. Scores of other members of Congress have expressed similar views.

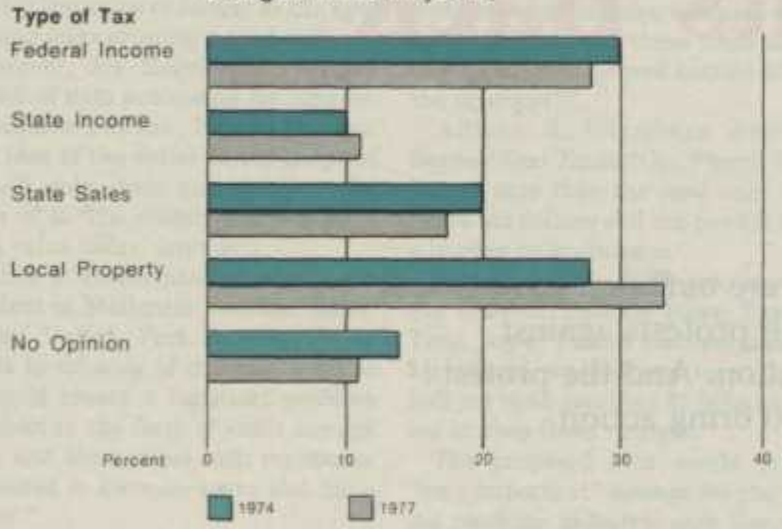
Taxpayer anger is being heightened by the growing realization in many families that their federal tax bills are actually going to increase, despite promises of income tax cuts. In many cases, wage earners will find the high



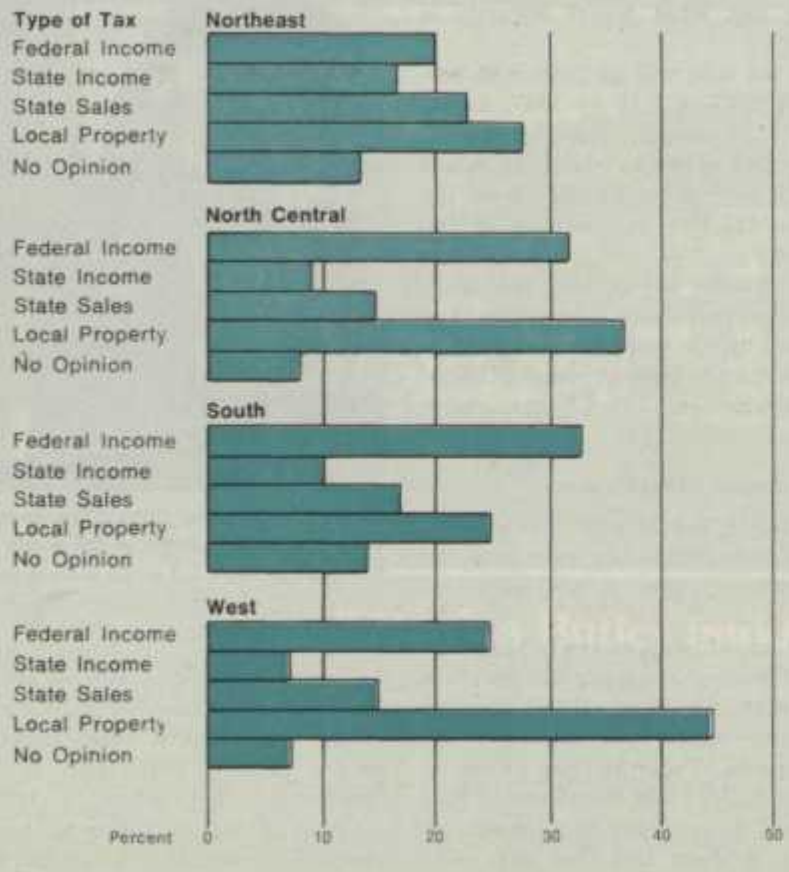
Insurance executive Donald MacNaughton says tax burdens threaten the ability of business to raise the living standard.

THE WORST TAX

The Advisory Commission on Intergovernmental Relations conducts a continuing survey on public attitudes toward four types of general taxes. Individuals are asked, among other questions, "Which do you think is the worst tax—that is, the least fair?" This is how their responses have changed in recent years:



A breakdown of the 1977 national totals shows some significant regional differences on what is considered the worst tax:



er Social Security deduction from their pay exceeds any cuts in the income-tax category.

Property-tax protests

And, while members of Congress are hearing about the Social Security tax problem, members of city councils and state legislatures are on the firing line as far as the property tax is concerned.

Some prominent examples:

- A plan to limit taxes on property in California to one percent of market value quickly gained the signatures of far more taxpayers than needed to put it on the ballot at a statewide election June 6 as a proposed constitutional amendment.
- In Georgia, legislators responding to constituent demands for property-tax relief came within six votes of winning the two-thirds majority needed in the House to approve a proposed amendment to the state constitution lowering property taxes. An earlier effort had failed by 19 votes. Supporters of the plan to reduce taxes promise to keep trying, citing the growing demands of taxpayers for action.
- Tennessee voters last month approved, 244,694 to 133,411, a constitutional amendment designed to curb state spending and taxes. A key feature limits increases in state spending to a percentage equal to the state's economic growth. Other provisions require a balanced state budget, prohibit long-term debt to finance operating costs, prevent establishment of new state programs without adequate financing, and require the state to share in any additional costs it imposes on cities and towns. The last provision was specifically designed to ease pressure on property taxes.
- Citizens for Limited Taxation, a Massachusetts group, has already obtained sufficient signatures to put on the ballot in that state's 1980 election a proposal that would limit state spending to approximately nine percent of total personal income of residents.
- The Advisory Commission on Intergovernmental Relations, which includes among its many research projects a continuing survey of public attitudes on taxation, reported that the property tax is considered "the worst tax—the least fair—in the view of the American public."

The commission, a bipartisan, federal agency made up of private citizens and representatives of the national, state, and local governments, commented:

"In the years between '72 and '77, the property tax vied with the federal income tax for this dubious honor. Inflation and its effect on market values and assessments apparently stiffened public opposition to the property tax—33 percent of the public termed the property tax least fair in 1977 as compared to only 29 percent who held this opinion in 1975."

Regional variations were spotlighted in the commission's poll. In the South, the federal income tax was ranked as the least fair by 33 percent of those polled, compared with 25 percent who listed the property tax. In the West, however, 45 percent ranked property taxes least fair, against 25 percent who put the federal income tax in that category.

• The National Association of Realtors found in a poll of its member organizations that 48.7 percent felt there had been a substantial increase in local property taxes in recent years, while 41 percent said the increase had been moderate. Only 7.7 percent reported no change, and 2.6 percent said there had been a reduction. The poll covered the national group's statewide associations and 500 of its largest local boards of realtors. Those polled were asked to suggest alternatives to property taxes, and the one mentioned most frequently was a local sales tax levied independently or as an add-on to state sales taxes.

Tax shifts proposed

Tax relief often means finding alternate means of revenue.

The debate in the Georgia House, for example, involved an amendment lowering property tax bills by 25 percent and a companion move increasing the state sales tax by one third—from three to four cents on the dollars.

Rep. John Linder, of Dunwoody, Ga., stated the case in terms business is using in analyzing the various tax-relief proposals.

"This is a tax shift," he said. "We need to wonder who it is being shifted to and who it is being shifted from."

Similar questions are being raised by the California business community, which is taking a wary approach to the upcoming vote on setting a constitutional limitation on property taxes.

The California initiative resulted from the work of two men who head organizations working to hold down taxes—Howard Jarvis, of the United Organization of Taxpayers, and Paul Gann, of the People's Advocate.

Other taxes affected

The proposal would limit the tax on real property to one percent of full cash value as of March 1, 1975. Assessments could be increased annually to reflect inflation, but not more than two percent. Future state increases would require a two-thirds, instead of a majority, vote in the legislature.

If adopted, the amendment would cut California property taxes $7 billion to $8 billion—and raise the question of

OTHER CAPITOL HILL ACTION TO WATCH

Here is a status report on other key business issues pending on Capitol Hill:

LABOR LAW

Organized labor is in a quandary over strategy on its bill to amend the National Labor Relations Act in ways that would make it easier for unions to win representation elections.

The AFL-CIO, chief sponsor of the legislation, had hoped for quick Senate passage of the House-approved bill. President Carter has promised to sign it.

Senate action, however, has been delayed by the extended debate on the Panama Canal treaties and may be further delayed by compromise energy legislation.

Organized labor has been concerned that the longer the bill hangs fire, the more time opponents have to demonstrate to senators the extent of public opposition to the measure.

But labor strategists are privately worried that the protracted coal strike and its actual and potential economic damage have created an adverse climate. Union leaders are now concerned that many senators they have counted on would be reluctant to vote for legislation to enhance union power in view of public attitudes toward organized labor stemming from the coal strike.

The AFL-CIO leaders are said to be pondering a request to delay the crucial vote on the bill until the impact of the strike will, they hope, have faded from the public consciousness.

TAXES

Business representatives testifying on the administration's tax-policy proposals are urging Congress to concentrate on prompt enactment of tax cuts and capital formation incentives, and not to get bogged down in protracted controversy over President Carter's recommendations for tax code revisions. Those revisions would mean higher taxes in some areas.

Van P. Smith, president of the Ontario Corp., of Muncie, Ind., and chairman of the Taxation Committee of the Council of Small Business of the Chamber of Commerce of the United States, told the tax-writing House Ways and Means Committee:

"The administration has recognized that tax reduction and incentives for capital formation are needed at this time, but it is the view of the chamber that coupling such measures with substantial revision of the tax code is not conducive either to capital formation or to speedy passage of tax reduction measures."

ENERGY

Although it took nearly a year, congressional sentiment on two key areas of energy legislation might be moving toward the business position.

Support is growing for eventual abolition of federal price controls on newly discovered natural gas and for rejection of sharply increased taxes on crude oil.

President Carter's energy proposals call for retention of price controls on natural gas and for a crude-oil tax that would lift the domestic price to the higher level of the world price in order to discourage consumption.

Business has been pointing out all during congressional consideration of the Carter energy plan that national energy policy should be designed to encourage exploration and production, two goals that cannot be achieved via price controls and taxes.

House and Senate conferees seeking to resolve differences in separate bills passed by the respective chambers are working on an identical bill to be submitted to both bodies.



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how those amounts would be replaced from other tax sources.

In a move aimed at heading off approval of the Jarvis-Gann initiative, the legislature has enacted a bill providing for a 30 percent cut in property taxes. At the same time, the California Assembly's Revenue and Taxation Committee has warned that replacing the lost revenues could involve such draconian steps as raising to 44 percent the present nine percent bank and corporation tax rate, increasing the state sales tax to 13.5 percent from the present six percent, or a personal income tax surcharge of 150 percent.

James P. Kennedy, director of taxation for the California Chamber of Commerce, pointed out that, while many businesses would benefit substantially from decreased property taxes, many others would also suffer from sharp boosts in the corporate tax.

"Incorporated, service-oriented firms, labor-intensive companies, and companies that pay rent for their quarters—or various combinations of those categories—could wind up paying more in replacement taxes than they save in property-tax relief," Mr. Kennedy said.

What kind of relief?

Business is also taking a wary approach in Washington to the proliferating number of proposals for easing the Social Security tax burden.

While business would welcome reasonable, effective relief, many of the proposals being advanced are those business has fought vigorously when they surfaced in the past. They include suggestions to use general fund revenues to finance up to a third of Social Security costs, to force employers to bear a higher share of the cost than employees, to impose a progressive tax rate in place of the present flat rate, and to increase the wage base to $100,000 a year beginning in 1979.

Pressure on Congress to accept such alleged solutions to the continuing financial problems of Social Security will intensify when Congress begins detailed consideration of President Carter's proposals for reducing income taxes.

Thus, for business, the issue is not simply one of relief from the sharp payroll tax increases Congress has voted, but what kind of relief.

Business has pointed out that forcing employers to absorb an unreasonable burden of payroll taxes would divert funds from job-creating activities, reduce the number of employed, and eventually intensify, rather than solve, the Social Security system's financial problems.

Key is the economy

Ultimately, business leaders point out, the fiscal soundness of the system will depend on a healthy national economy.

Donald S. MacNaughton, chairman and chief executive officer of the Prudential Insurance Co. of America, addressed that fundamental point recently.

After analyzing the various tax and benefit schedules and demographic trends, Mr. MacNaughton said:

"Economic security for future retired workers is dependent on the ability of our economic system to produce enough goods and services to encourage current workers to share their abundance with those who no longer produce.

"It was not coincidental that the major expansion in social programs came in the 1950's and 1960's—a time when business enjoyed dramatic improvements in productivity.

"These productivity improvements permitted redistribution of income without major political resistance, because the increased rates of output permitted increases in taxes, an improvement in the living standards of workers, and a reasonable rate of return on capital for investors.

"We should face squarely the fundamental long-term question of whether business can continue to absorb the escalating burden of these programs and still show the productivity improvement required to continue the historical trend of a rising standard of living for all Americans.

"At the present time, it is difficult to be optimistic on this score. There seems to be little inclination to contain future benefit and tax increases.

"There is more involved here than the philosophical public-vs.-private debate, even though that discussion is essential. An important virtue of private pensions is that prefunding of benefits creates capital. As private pension plans accrue obligations to future retired employees, equivalent assets are generated to be invested in job creation and productivity improvement that help provide the goods and services for those future retirees. The trend away from private pension plans, which create capital, reduces the likelihood that there will be sufficient long-term funds available to fuel the economic system."

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A blue-ribbon business audience turned out in Minneapolis to listen as Treasury Secretary W. Michael Blumenthal urged business to get behind the President's economic program. It was one of three forums for him there in a single day.



President Carter's economic chiefs support his program on Capitol Hill. Left to right: Secretary Blumenthal; Office of Management and Budget Director James T. McIntyre, Jr.; and Council of Economic Advisers Chairman Charles L. Schultze.

PHOTOS: ALYAS KOSTAS—BLACK STAR



"You don't have to be a Republican to be probusiness," says the Secretary as he argues for the administration's program.



HEW Secretary Joseph Califano's antismoking campaign? "I stay on my side of the cabinet table."

The Selling of the President's Tax Program

By Wilbur Martin

W. Michael Blumenthal, former businessman and current Secretary of the Treasury, is on the road a lot these days, trying to persuade business to support the Carter economic proposals. The road isn't always smooth

"I'D LIKE TO TRY a little poll," says Secretary of the Treasury W. Michael Blumenthal as he stands before an overflow audience of blue-ribbon business leaders in Minneapolis.

"How many here represent companies that had a really good year last year? Let's see your hands.

"Obviously, the ayes have it.

"Now let me see the hands of all of you who are expecting a good year this year. I know from my own experience in business that we make all sorts of projections of what we're going to do, but that we really don't expect some of them to pan out. So use your honest projections.

"Look at that. Now, what do you mean when you say you're uneasy about this economy?"

The Secretary takes his poll this way at city after city across the nation. The results are always similar, and there is always laughter—some of it a bit self-conscious—when he announces them.

To Mr. Blumenthal, the chief salesman and a key architect of President Carter's economic program that is now before Congress, the poll's results carry a powerful message.

Poll's goal: support

He says he is convinced that if he can get business to take a reasoned look at the overall economy, the lack-of-business-confidence label which has been put on the President's economic efforts will be removed.

The Blumenthal poll is his way of getting business people to relate their own well-being to the Carter program, which includes proposals for net tax cuts of $25 billion, for other tax adjustments, and for other economic measures.

"In a country this size," he says as he jets between cities on one of several speaking tours he is making to enlist support for the program, "there are always going to be some regional negative economic factors.

"But I believe business people will come to understand that this is the best program we could put together. It's going to take a little time, but I really believe we'll get this understanding."

Losing the punch line

The 52-year-old former chief executive officer of The Bendix Corp. commands respect from his business audiences.

For one thing, he earned $600,000 a year running a multinational corporation, and this automatically gives him impressive credentials with people who are in businesses ranging from large to small.

For another, he is Everybusinessman on the podium.

When he reads a speech, he obviously is no professional speaker. He can be dull. He can get snarled in the thicket of telling a joke, and, yes, sometimes forget a punch line or tromp on the laughter for one that is delivered well.

But when he stands up and does what comes naturally, talking facts and figures, reacting with quips as if at a board meeting, and listening with real sympathy to business people's complaints about big government, he is one of business's own.

Target of grumbling

Still, as a dominant figure in the economic planning of the 15-month-old Carter administration, Mr. Blumenthal inevitably is on the receiving end of some business-community grumbling.

Some in business say the tax cuts are too little. Others say cuts aren't needed now to stimulate the economy. Others say incentives for private enterprise in the program are not enough.

"Why does this administration have an antibusiness attitude?" asks a businessman in Seattle during the ques-

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tion-and-answer session that Mr. Blumenthal tries to have after every speech.

"Antibusiness attitude!" The retort is delivered with the anguished inflection of a taxpayer who has just learned his income tax return is going to be audited.

"What do you mean? You don't have to be a Republican to be probusiness."

Central sales theme

Questions such as this one give the Secretary the opportunity to hammer home the central theme of his selling campaign to business: "You asked for it, and you got it."

He tells a San Francisco audience:

"All of last year, I visited with business people, asking questions. They said they were concerned about keeping the economic expansion going, concerned about inflation, concerned about the climate for capital investment to keep productivity improving, concerned about taxes. Most of all, they said that a firm and clear policy was needed."

This rapid-fire recitation is delivered in the explanatory fashion of a teacher of college economics, which Mr. Blumenthal once was.

Then he steps back and lights one of his big Jamaican cigars, blows a puff of smoke, and becomes Everybusinessman again.

Expansion into 1979?

"Okay, what do we do for business?

"We want to cut the corporate tax four points, and that's the biggest cut since the 1950's.

"We've come out of the worst recession since the war better than any industrial country in the world. Our economy is the best. The expansion is going to keep right on through 1978 and into '79.

"We hope to have unemployment down to around 5¾ percent by the end of that year and a steady, real growth in gross national product of 4½ to five percent.

"We want to make the investment tax credit permanent at ten percent. Now, that's permanent, not this yo-yo type of thing of letting it slide back to seven percent after 1980.

"We've looked out for small business. Tax cuts will give a corporation with year-end profits of $50,000 a ten percent reduction in taxes next year."

Still blowing smoke, he grins puckishly. "Any questions?" he asks.

"Yes," says a San Francisco banker. "How is Secretary Califano doing

with you on his antismoking campaign?"

The cigar smoke billows into a cloud.

"Joe and I have a deal," Mr. Blumenthal says. "The Secretary of Health, Education, and Welfare stays on his side of the cabinet table, and I stay on my side of the cabinet table."

Seeking confidence

Secretary Blumenthal knows he has a tough task in trying to convince many business people that they should support the proposed economic program and that they should have confidence in the strength of the American economy.

"Who determines business confidence?" he rhetorically asks a NATION'S BUSINESS editor accompanying him on the small jet plane he uses when he is on a hopscotch, up-and-down trip.

"Organizations do—for example, when business people meet and talk together. And the media certainly do.

"You know, there are a lot of things that business isn't happy with that can affect judgments.

"Government regulation, for instance. That's the biggest complaint of business, and I agree with it. We simply haven't done enough to remedy things in this area.

"Inflation. It's still too high. It's down to six to 6½ percent now, but that's not good enough. We have to keep working on this."

Meeting and mingling

Wherever he goes, Mr. Blumenthal tries to meet and mingle with business people.

"I want to hear what bothers them," he says. "I hope I can help correct some of it."

Secretary Blumenthal's personal story is well-known: A refugee from Nazi Germany with his family, he spent the World War II years in Shanghai and came to this country in 1947 at the age of 21.

He graduated Phi Beta Kappa from the University of California at Berkeley in 1951 with a degree in international economics; got master's degrees in public affairs and economics at Princeton; then got a Ph.D. in economics at Princeton and taught economics there.

From 1957 to 1961, Mr. Blumenthal was a vice president and director of Crown International Corp. He was a deputy assistant secretary of state for economic affairs from 1961 to 1963 and served as the President's deputy spe-

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Secretary Blumenthal chats just before making an appearance and holding a press conference at a gathering of the Minnesota Press Association in Minneapolis. At far left: Wilbur Martin, of Nation's Business.

cial representative for trade negotiations, with the rank of ambassador, from 1963 to 1967. He was chairman of the U. S. delegation in the Kennedy Round of trade negotiations.

Mr. Blumenthal joined Bendix in 1967 and five years later was elected chairman, president, and chief executive officer. [See "Lessons of Leadership: Making Money in Bad Times and Good," NATION'S BUSINESS, November, 1976.]

In a goldfish bowl

A man who cherishes his private moments, he knows his public position puts him in a goldfish bowl as far as his personal life goes. The fact that he gets up at dawn to jog several times a week has been publicized. So have such other facts as that he sometimes washes his own laundry, is separated from his wife (they have three grown daughters), smokes expensive cigars, and loves Italian food.

He notes another major difference between his present position and the one he held at Bendix: "You have a lot of people second-guessing you."

"Why did you give up a half-million-dollar salary to go with government?" he invariably is asked.

He answers: "I can live on $66,000 a year [his salary as a cabinet officer]. And if you are motivated only by money, you don't have a very interesting life."

The martini lunch

The President's proposal to eliminate some business tax deductions for personal expenses and reduce the business meal deduction—the so-called three-martini lunch issue—is another area always inquired about.

"Do you drink martinis?" the Secretary is asked.

"No, I don't. But if I did, I would want to pay for them with after-tax dollars."

This question provides another opportunity for the Secretary to make a key argument in behalf of the economic program he played a major role in shaping.

"We're not taking anything away from business that it really needs," he says. "But our whole tax system has to be fair. We have to have the respect of all taxpayers if our voluntary system of paying taxes is to keep on working.

"When people read about the businessman who deducted 338 lunches in one year, or the dentist who deducted $14,000 a year for a yacht for entertaining other doctors, no wonder that they become cynical about government.

"Deductions for meals and entertainment cost more than $2 billion a year in lost revenues. That's not an incidental tax item."

Wage-price confusion

What is an example of the type of thing that frustrates the Secretary in his present position?

"One of the things, I suppose, is getting people to understand you mean what you say."

Such as what is said about wage-price controls?

"Yes, the President has said, and I have said, and others in this administration have said that we aren't going to have wage-price controls. Period. Period.

"Why are some people still skeptical? I suppose it is because business got burned in the Nixon administration, when the President was saying never one day and putting on controls the next."

Maybe President Carter's proposal that representatives of companies and labor unions confer with government representatives, in a move to hold down wage and price increases in 1978, caused some confusion?

"If there is any confusion, people in the media are going to have to help straighten it out.

"The President has asked for a voluntary deceleration in the wage-price spiral in key industries this year. This would reduce inflation gradually, without controls or coercion, and bring inflation down one notch at a time through a cooperative effort."

Prescription for health

What will it take to ensure healthy economic growth for this country?

"Oh, that's an easy one to answer," Secretary Blumenthal says. "We have to have a partnership of business, labor, and government. One segment alone can't do it. This administration's whole economic approach is oriented toward the private sector. It's the senior partner. We need and ask for its help."

Whether the President's economic package goes through in whole or in part is a question which won't be answered until the conclusion of several months of debate in Congress. In the meantime, the chief salesman for the program will be on the road.

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Chief Executives Fear Wage-Price Controls

A new poll by Gallup and the National Chamber reveals a prevailing belief that the administration will do a poor job in fighting inflation and unemployment

"A GROWING number of men and women who run American companies as chief executives fear the administration's voluntary wage-price controls program will become mandatory within the next year or two," says Dr. Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States.

This is shown, he says, in the second quarterly business confidence survey conducted by the National Chamber and the Gallup Organization.

The survey shows, too, that "the top company executives continue to lack confidence in the government's ability to fight inflation and unemployment," says Jay Schmiedeskamp, vice president of the Gallup Organization.

The scientific poll was taken among 1,100 chief executives representing every size company, every industry, and a geographical cross section of the country.

More than 85 percent of those responding indicate it will be difficult to keep wage and price increases in 1978 below the average of the past two years, which is what President Carter has proposed business and labor unions do on a voluntary basis.

Percentages of Executives Who Expect Mandatory Wage-Price Controls Within Two Years

Industry	First Poll	Current Poll
Total	37%	44%
Extractive (Agriculture, Forestry, Fishing, and Mining)	27%	55%
Construction	35%	41%
Manufactures	37%	43%
Transportation, Communications, Electric, Gas, and Sanitary Services	41%	41%
Wholesale and Retail Trade	36%	39%
Finance, Insurance, and Real Estate	45%	47%
Services	27%	22%

Business climate unfavorable

"Nearly half of the chief executives now fear that the voluntary wage and price controls program will become mandatory within the next year or two," says Dr. Carlson. This is a sharp increase from the response to a similar question asked in the first poll, the results of which were published in NATION'S BUSINESS in January.

Fifty-six percent of those responding say they expect the government to do a "poor job" during the next year or two in its "economic policies to fight inflation and unemployment," says Mr. Schmiedeskamp. Only two percent expect the government to do a good job. Again, the attitude is strikingly similar to sentiments expressed in the first survey.

The second survey identifies a number of reasons for such a low level of confidence in government policies.

Almost three fourths of the 1,100 executives say the climate is still growing less favorable in regard to the



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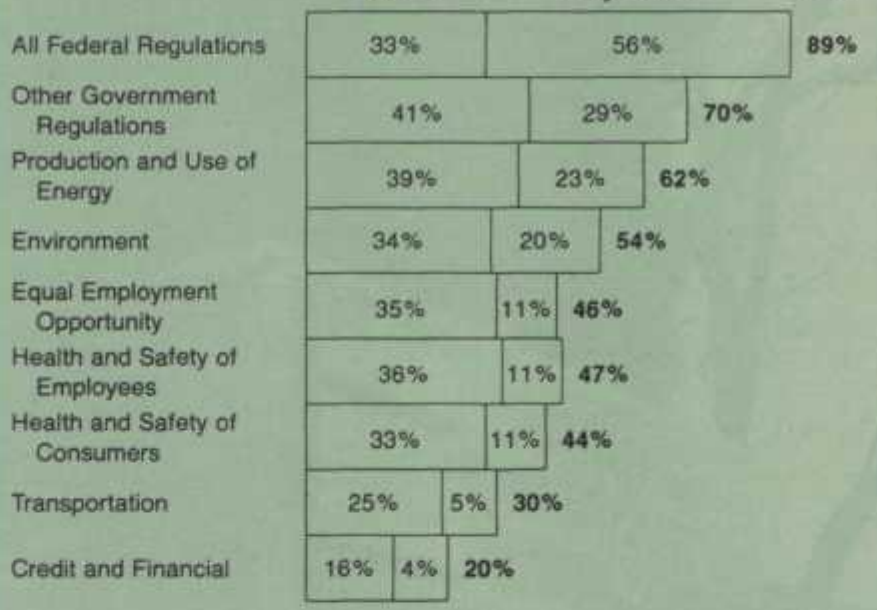
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Regulatory Problems



ability of their companies to carry on their business and make a profit.

As a whole, the respondents continue to be concerned about the host of government regulations. More than 95 percent say these regulations take up more of their employees' time and their companies' money than two years ago.

Environmental costs up

Approximately 50 percent of the business leaders surveyed report that their firms will have to spend more money during the next four years than during the past four on clean air, clean water, health, and safety regulations and on other government requirements.

A large proportion of businesses expect serious problems from federal regulation of the production and use of energy materials and from rules concerning equal employment opportunity, health and safety of employees, and consumer protection. A catchall category, "other government regulations," drew the largest proportion of responses—70 percent—that regulations will cause serious problems. This includes 29 percent who say these regulatory problems are "very serious."

Fear of regulations extends to those promulgated by state and local governments. Sixty-nine percent of the respondents expect serious problems from state and local regulations during the next few years.

The majority of respondents label as

How Will the Government Do at Fighting Inflation and Unemployment?

	First Poll	Current Poll
Good Job	2%	2%
Fair Job	39%	42%
Poor Job	59%	56%

Chances of Recession

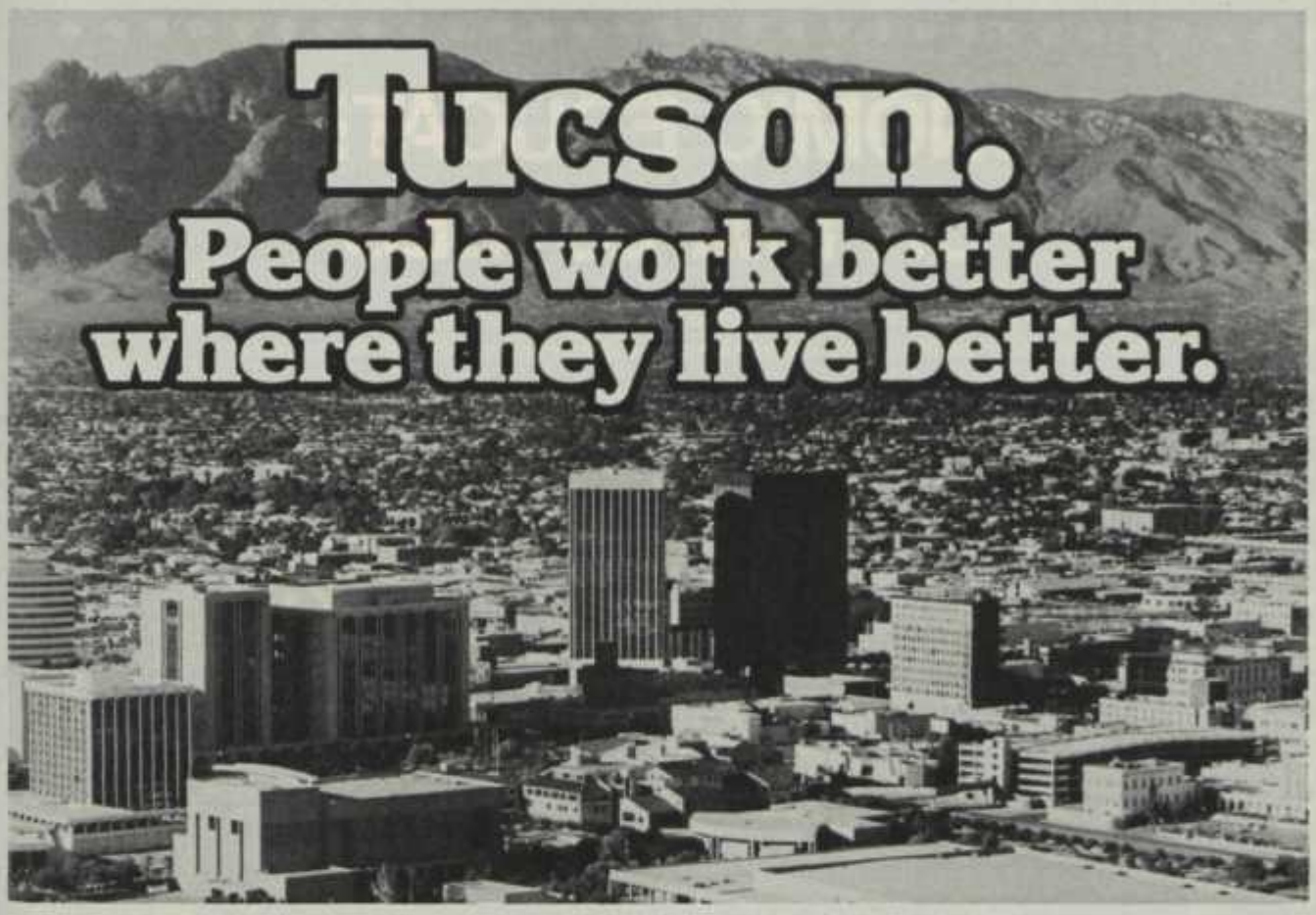
	First Poll	Current Poll
Within 12 Months	20%	26%
Within 24 Months	48%	43%

Sales and Profits Next 12 Months

	Higher	Same	Lower
Sales	79%	16%	5%
Profits	51%	27%	22%

Higher Sales and Profits Next Four Years

	First Poll	Current Poll
Sales	78%	85%
Profits	45%	61%



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a serious problem federal, state, and local taxes. Approximately 70 percent specifically mention payroll taxes.

No recession seen

In spite of business fears of government economic, tax and regulatory policies, business does not expect any immediate recession. The average business executive says there is a 26 percent chance of a recession within 12 months but a 43 percent chance within two years.

As was true in the previous survey, businessmen expect their own firms to perform better than the economy as a whole. Most of the respondents expect their total sales, adjusted for inflation, to increase during the next 12 months.

And for the long run, during the next four years, an even larger proportion of businessmen expect sales to also increase. A larger proportion than in the earlier survey also expect before-tax profits to increase.

Attitudes toward inventory investment continue pessimistic. Most businessmen feel it is "a good time to leave inventories about as they are at present." However, a larger number of respondents than in the first poll feel this is a good time to invest in tools and equipment and in plant and equipment. This is an improvement compared to the first survey.

In sharp contrast, the proposed phaseout of the Domestic International Sales Corporation program, with its deferral of U. S. income tax payments on foreign subsidiaries until the profits are brought to the U. S., is identified as causing domestic investment to decline somewhat.

Investment would increase because of administration tax relief proposals, the survey shows. More than half of the respondents say that they will make additional investments if and when the investment tax credit is liberalized and corporate tax rates are reduced.

Passage of congressional proposals for a tax credit to encourage employment of disadvantaged youths would result in 27 percent of the executives increasing their hiring of disadvantaged youths.

Double-digit inflation

The subject of inflation is a somber one in the poll. Many businessmen fear an inflation rate above ten percent. The average executive says there is a 23 percent chance of double-digit inflation within 12 months and a 38 percent chance within two years. □

How Administration-Proposed Tax Changes Would Affect Companies' Investment

	Increase	No Change	Decrease
Liberalization of Investment Tax	50%	48%	2%
Reduction in Corporate Tax Rates	59%	36%	5%
Reduction in Personal Taxes	32%	63%	5%
Increase in Income Taxes on Exports and Deferred Foreign Source Income	9%	64%	27%



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Upswing in Capital Investment

Most businessmen responding to a Nation's Business poll report their firms plan increased spending on plant and equipment

THE LONG-AWAITED upswing in capital investment for both plant and equipment is taking place. This is the message sent out by executives in the latest NATION'S BUSINESS Outlook Survey.

Sixty-three percent of those responding in the quarterly survey say their companies plan increases in investment for plant this year, and 65 percent say their firms will increase spending for equipment. Only five percent forecast decreased spending for plant, and six percent, decreased spending for equipment.

All other executives say that the rate of their companies' spending in the two vital categories will be approximately the same this year as in 1977. Amounts of added spending range from thousands of dollars at small companies to well over $1 billion at major companies.

Largest so far

One enthusiastic executive is J. M. Jenkins, president of Jenkins Brick Co., Montgomery, Ala., who says his firm's "production will increase 62 percent due to plant investment, the largest investment in the company's history."

John S. Mueller, chairman and chief executive officer of Laidlaw Corp., Mesa, Ariz., reports his firm will be "up in investment for both plant and equipment by 50 percent."

D. T. Stevens, Jr., chairman and chief executive officer of Distribution & Transportation Services, Inc., Memphis, says: "In plant expansion, we will build new offices and a warehouse. In equipment, we will replace 20 of 40 tractors."

Among the giant companies with



Frank M. Feeney, president and chief executive officer of Sterner Lighting Systems, Inc., Winsted, Minn., says: "The government should get out of the business of interfering with business. Let supply and demand have their natural effects. Stop rewarding indolence and inefficiency."



Herman R. Somma, vice president of Somma Tool Co., Inc., Waterbury, Conn., bristles when he is asked what the government should do. "Get off our backs," he says. Then he adds: "Eliminate reports that are so time-consuming, especially for small businesses."



Martin Stone, chairman of Monogram Industries, Inc., Santa Monica, Calif., rates long-range prospects for the economy as "not good." He says: "Renewed inflation and high interest rates will choke the recovery." Meanwhile, he says, profit and sales trends at his own business are "excellent."

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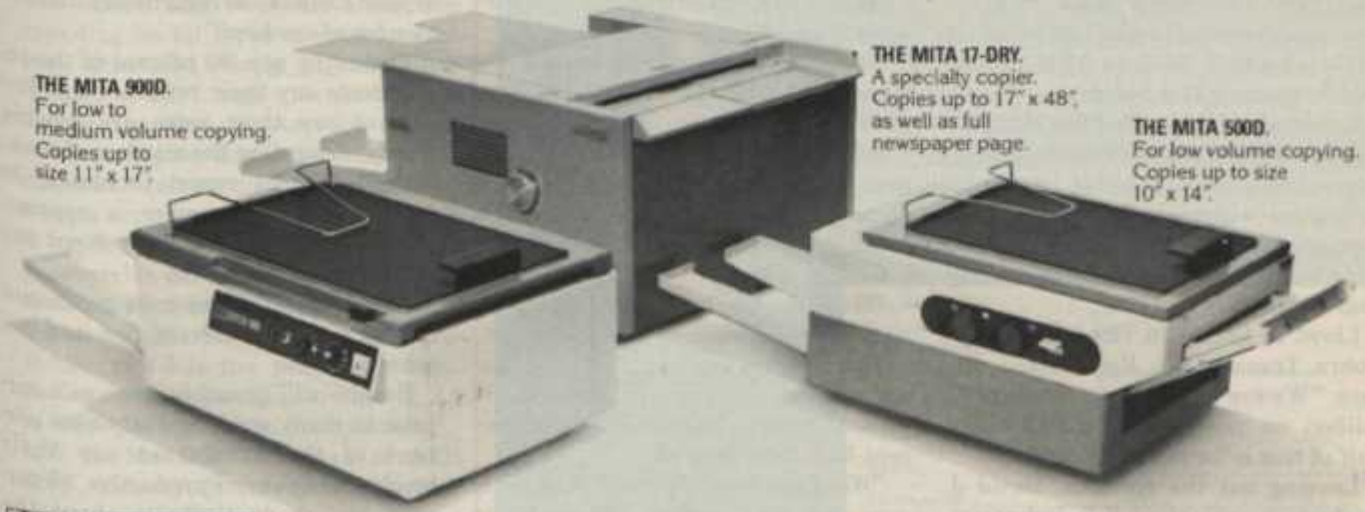
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H. G. Allyn, Jr., president and chief executive officer of The Pittsburgh & Lake Erie Railroad Co., Pittsburgh, says the nation's long-range economic prospects depend on the cost of energy. He foresees oil getting more expensive, the trade deficit increasing, and inflation going up, too.



C. B. Spivey, president of Daniel Construction Co., Greenville, S. C., has this bill of goods for government: Enact energy legislation, be more realistic about nuclear power, and defeat the union drive for changes in labor law. Worker productivity at his firm is lower than ten years ago.



Charles E. Drury, chairman and president of Hayes-Albion Corp., Jackson, Mich., sees good and bad in the slumping value of the dollar abroad. "It could create more exports, but also it will tend to cause U. S. inflation," he says. As for the economy, "it is leveling off," he says.

large expansion budgets is General Telephone & Electronics Corp., of Stamford, Conn. Theodore F. Brophy, chairman and chief executive officer, says that estimated capital expenditures in 1978 will total more than $1.9 billion, as against less than $1.7 billion in 1977.

Paul F. Oreffice, president of Dow Chemical U. S. A., Midland, Mich., says Dow will spend about $1.1 billion—approximately the same as in 1977—of which $650 to $700 million will be spent in this country.

In Seattle, the Seattle-First National Bank will, according to President C. M. Berry, likely make "sizable increases" in capital expenditures this year as compared with last year. He says the bank's capital budget for the current year is not fully laid out.

Lloyd R. Larson, a vice president of Dohrn Transfer Co., Rock Island, Ill., says: "We are spending in excess of $2 million on new rolling stock. About half of this is for replacement."

Leaving out the specifics, David J. Andrew, president of E-B Industries, Inc., Simsbury, Conn., says: "Lots of investment. More than ever before. Both plant and equipment."

Foul winter weather held up large amounts of construction. Now that spring is here, the surge in building will be particularly strong as companies try to make up for lost time.

Eight other questions

NATION'S BUSINESS posed eight questions in addition to the key one regarding capital investment in plant and equipment.

Here are the questions and how they were answered:

"How do you rate prospects for the economy during the second quarter of 1978?"

Seventy percent of the respondents look for improvements in the economy, 24 percent expect the economy to hold steady, and six percent look for a tailing off.

"How do you rate long-range prospects for the economy—into 1979?"

Thirty-four percent look for improvement, 34 percent expect the present pace to continue, and 32 percent look for a drop-off.

"What has been the trend thus far of your own sales, orders, and profits in 1978?"

Seventy-three percent say activities in these categories in their businesses have improved, eight percent say these activities are holding steady, and 19 percent say business and profits are down.

"What is your inventory-to-sales ratio as compared to that of a year ago?"

Only 16 percent say the ratio has gone up, while 59 percent say the ratio is the same, and 25 percent report it is lower.

"What is happening percentagewise at your company as regards pay and the number of workers?"

Regarding pay, 90 percent of the respondents say their rates are up. Ten percent say their rates are holding steady. Regarding the number of workers, 44 percent report increases, 30 percent say the number is approximately the same, and 26 percent say the number is down.

"Are your employees more productive or less so than those of five and ten years ago?"

Results will probably come as a surprise to many readers. Forty-nine percent of the executives say their employees are more productive, 19 percent say productivity is about the same, and 32 percent say productivity is lower.

"What should the federal government do?"

There is a variety of answers. A frequent one is: "Less." Other answers include: Stop trying to undermine industry, slow down the Occupational Safety and Health Administration, balance the budget, control inflation, reduce giveaway programs, reduce double taxation on dividends, reduce taxes, create more inducements for energy exploration and research, hasten metric conversion, work more closely with the private sector, increase investment credits, and stop assuming that business is always guilty until proven innocent. One respondent says that government should do "nothing for two years."

"What do you feel the slumping value of the dollar on international exchanges will do to American business?"

Some respondents say that the slump will help American business by making imports more expensive, thereby reducing imports, while at the same time increasing exports by making them available abroad for cheaper dollars.

World confidence in the United States is waning as a result of the cheaper dollar, several respondents say. Others worry that cheapening of the dollar will continue to hurt our balance of payments. This, one respondent says, "will eventually bankrupt our government—a development that isn't too far away."

Near-term prospects

On prospects for the economy during the second quarter, Chairman Brophy of General Telephone & Electronics Corp. comments:

"Economic growth during the first quarter was adversely affected by the coal strike and weather. Consumer spending on all types of goods, which was unusually strong in the fourth quarter of 1977, rose at a slower rate during the first quarter due to the weather, higher Social Security taxes, and other dampening influences. However, a return to more normal growth is expected for the second quarter as unfavorable conditions moderate. It is anticipated that real growth during the second quarter will be at an annual rate of 4.5 to five percent, in comparison with an estimated rate of 2.5 to three percent in the first quarter."

W. K. Metcalfe, chairman of AER Corp., Ramsey, N. J., says the second-quarter outlook is for "no big surge. On the other hand, no big curtailment is expected."

G. Robert Blanchard, president of Jos. L. Rozier Machinery Co., Tampa, Fla., looks for "slight improvement, with continuing inflation and lower unemployment."

Taking a pessimistic view, George McGeoch, president of Central Piping, Inc., Paulsboro, N. J., says: "The economy is in serious trouble if Congress does not act quickly and decisively on several key tax, energy, and money policy issues."

W. R. Collette, president of The Oak Rubber Co., Ravenna, Ohio, optimistically says: "The economy is strong, employment is at an all-time high, and disposable income is high."

James A. Hackney III, president of Hackney & Sons, Inc., Washington, N. C., says the economy should "continue to be good" in the second quarter. He adds: "There do not seem to be many negative factors to reverse the present trend."

Long-term prospects

Long-range prospects for the economy, apparently, are nowhere near as rosy as prospects for the short range.

Fred H. Barrows, Jr., chairman of Barrows Industries, Inc., Providence, R. I., says the outlook into 1979 is





R. E. Horner, president of E. F. Johnson Co., Waseca, Minn., says the economic situation is "tenuous. Many capital investment decisions and residential purchases are at risk if inflation or interest costs increase." He says this means the economy "is in a precarious balance."



William C. Giles, Jr., chairman of Monarch Capital Corp., Springfield, Mass., blames the "turmoil of the 1960's" for lower productivity among his newer employees as compared with the old-timers. The economic future is heavily clouded by the inflation problem, he adds.



William A. Stroud, president of the First-Knox National Bank, Mt. Vernon, Ohio, judges results of the slump in the dollar's value this way: "There are trade-offs. Foreign goods will cost more here, and our products will cost less abroad. A concern will be the outflow of investment funds."

"very dim, depending on government maneuvering. Disappointing."

Says George C. Miller, Jr., president of Miller Enterprises, Inc., Crescent City, Fla.: "Slowing and inflationary. Higher interest rates, higher costs, government vacillation in coping with unemployment and inflation, along with more regulations on business, will adversely affect our economy."

Pessimism and optimism

R. A. Bryan, chairman of T. A. Loving Co., Goldsboro, N. C.: "I am pessimistic because I think inflation is going to continue to rise and the government will continue to spend."

W. Thomas York, president and chief operating officer of AMF, Inc., White Plains, N. Y.: "We foresee nothing in 1979 that would be beyond the normal increase of three to five percent in the gross national product."

On the other hand, Edward L. Boyd, president of Southeastern Financial Corp., Charlotte, N. C., says that "although somewhat foggy, the outlook for 1979 appears good. We are three years into recovery, but the trend continues upward at a moderate pace. Housing remains strong. Clouds, some of which we have some control over, are oil prices, interest rates, and the value of the dollar on international exchanges."

Edward J. Ferenc, a vice president of Alloy Fabricators, Inc., Lodi, Ohio, says: "I see continued strength, but also believe a possible inflationary spiral is beginning, both in materials costs and labor costs."

And Robert P. Gerholz, president of Gerholz Enterprises, Flint, Mich., says that he is "cautiously optimistic. Inventories well in balance. Consumer confidence is high. More people employed at higher wages and salaries than any time in history."

The question on whether employee productivity has improved or deteriorated in recent years drew many detailed answers. Those who report improvement at their companies cite better management methods or more mechanization. Those who report deterioration cite employee attitudes, primarily.

Louie P. Lathem, Jr., president of Lathem Time Recorder Co., Atlanta, says improved equipment has enabled his firm's employees to increase productivity at the same rate that their pay has been increasing. All in all, he adds, the employees are "excellent."

Reginald Wurzburg, chairman of Wurzburg Bros., Inc., Memphis, says that "in some divisions, productivity per employee is substantially less. This is primarily because we cannot stimulate employees as we could when we were a much smaller company and had daily contact between owners and employees."

Problems with youth

Also, he says that "inflation squeezes everyone, therefore no one feels adequately paid. They compare their pay with the pay of the highest skilled people featured by the media. And unfortunately, most parents expect their offspring to enjoy an easier and so-called better life than they had. This frequently makes youths reluctant to do their best. Of course, there are exceptions, and it is these exceptions, fortunately, who are becoming our leaders in business."

K. H. Rudolph, chairman of Cleveland Electric Illuminating Co., Cleveland, also reports lower productivity and ticks off reasons: "Too much permissiveness, federal government regulations, more reports, union demands for more holidays, everybody wants more money for less work." □



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The Coal Strike- An Expensive Lesson

By William Kroger



Snow, not coal, fills these hundreds of rail cars in West Virginia because of the strike by miners. It was a scene repeated in many states.

EARLY LAST DECEMBER, 160,000 miners walked off the job, shutting down Appalachian and Midwestern coal mines. Far more than coal mining was affected.

In the ensuing months, curtailments of energy were ordered in some states, affecting both industrial and residential users.

Tens of thousands of manufacturing and trade employees—who had nothing to do with the strike—were laid off in an 11-state region centering on Ohio, the area most affected by the strike.

It also became evident that the United Mine Workers union was rife with dissension and that widespread violence was a serious and growing threat. Social welfare costs mounted in the states where miners were striking, and some economists saw the possibility of at least a minor recession as a result of the walkout. Also, there was no question that the final settlement would be inflationary. Inevitably, it was clear, the strike would, one way or another, affect all corners of the nation.

Questions need answering

There are lessons to be learned from this and questions that need answering. For example, why did the strike occur in the first place?

One official of the Bituminous Coal Operators' Association told NATION'S BUSINESS that miners are among the best-paid workers in America. Under the recently expired contract, miners averaged $8.64 an hour and about $16,000 a year.

Miners were getting up to five weeks' vacation under the old contract, a week of sick leave, ten paid holidays, and two mental health-type days which miners call "go-to-hell days."

The association official said: "We calculate that the cost of having one miner on the payroll is at least $13 per hour."

What coalfields are like

On the other side of the picture, an aide to a senator who represents a coal-producing state said: "The life of a coal miner generally is dreary." The quiet, peaceful suburban living that exemplifies so much of America today does not describe the coalfields, said the aide.

"Television made a big difference in the coalfields. The miners saw there was a better way of life, wanted it, and pressed for it," he said. The aide, who was reared in the coalfields, said he remembers as a youth wanting desperately to get out.

Why strikes occur

There are many reasons why strikes occur. Most have to do with increased wages and extra benefits. Others, however, are more subtle and may involve such things as power plays and political maneuvering within union structures.

Most observers of the UMW strike agree that an important reason for this struggle involves a long-standing distrust among miners of mine management—not necessarily management at their individual mines, but management in general.

Pay, safety, and working conditions have improved, but the hard, bitter feelings linger on. Union leaders consistently remind miners of the bad days of old, and the "United Mine Workers Journal," the union newspaper, runs articles that recall the long struggle for better pay and benefits.

A unique breed

In addition, Appalachian and Midwestern miners are a unique breed. A labor law expert—Robert T. Thompson, senior partner of the law firm of Thompson, Mann, and Hutson, of Greenville, S. C., and chairman of the Labor Relations Committee of the Chamber of Commerce of the United States—says Appalachian and Midwestern coal miners are fiercely independent and steeped in traditions of defiance.

Those traditions lead to strikes.

The coal operators' association says UMW miners staged 8,941 wildcat strikes during the past 36-month contract period. Also, legal strikes, since the mid-1960's, have become a fairly common occurrence every time contracts between the UMW and coal operators have come up for renewal.

On Feb. 6, following months of bargaining, the coal operators' association—which bargains for 130 coal-

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producing firms—reached an agreement with the UMW bargaining team. It was rejected by the UMW bargaining council. Negotiations then resumed at the White House, and eventually another agreement was reached. This time it was rejected by the membership.

On March 6, President Carter invoked the Taft-Hartley Act in an effort to get the miners back to work and to get negotiators back to the bargaining table.

Shades of the embargo

It was clear that the strike caused harm to the American economy.

A National Chamber economist, comparing the coal strike with the 1973-74 Arab oil embargo, said in mid-March: "We are now in a worse situation than we were during the oil embargo four years ago." The oil embargo, he said, cut total U. S. energy supplies by eight percent, but the coal strike—through a 52 percent reduction in coal output—had reduced total energy supplies by more than ten percent.

Miners and their families, during strikes, are eligible for certain types of social welfare assistance, mainly food stamps and a program called Aid to Families with Dependent Children.

The National Chamber late in February said taxpayers in states hardest hit by the coal strike were paying up to $547 monthly in public assistance to striking coal workers.

Average assistance available in those states amounted to more than $380 a month for a family of four, the National Chamber reported.

Miners are aware of available assistance. In fact, the January issue of the "United Mine Workers Journal" told striking miners: "You have the right to demand an application [for Aid to Families with Dependent Children]. . . . Even if you applied for AFDC during the last strike and it was denied, you should still apply. There could be changes in the regulations which make you eligible. . . ."

Embarrassing questions

The "UMW Journal" also pointed out: "You should anticipate the agency asking you annoying and sometimes embarrassing questions. Coal companies often have influence in the local and county governments, and the agency personnel may discourage you from applying or wrongfully deny your requests. . . ."

The union newspaper also discussed emergency care and urged the formation of public assistance committees at the local level to help miners deal with government agencies.

Strikes are never cheap, and the coal strike—one of the longest in history—is no exception.

The strike also proves once again that a small portion of the work force in a key industry could eventually cripple the nation. The 160,000 striking miners represent only two tenths of one percent of working Americans.

Coal industry executives told NATION'S BUSINESS that the White House put extreme pressure on the coal association to settle for far more than management considered reasonable or prudent.

Time slipped by

It is possible, according to some close observers, that the time slipped by when a settlement could have been reached.

Roger C. Sonnemann, a vice president of AMAX, Inc., and a member of the executive committee of the Bituminous Coal Operators' Association, said that "timing is everything" in negotiations.

"I think we lost the timing because we became so concentrated in our attention on certain aspects of the agreement that perhaps we lost our perspective on some other aspects that were important," he said.

Mr. Sonnemann also observed: "Each party must come to the table on a peer status. Each is worthy of respect from one another. Sometimes there are harsh words that can cloud issues rather than clarify.

"There must be a dedicated effort to reach an agreement—from both parties. You can't get into a rigid posture."

Procession of errors

The bargaining process in the coal situation was an obvious procession of errors.

Labor Secretary Ray Marshall's inexperience in negotiations was clear, observers said. It was equally clear that union negotiators did not speak entirely for rank and file members.

The coal union has seen turbulent times for many years. Ironman UMW President John L. Lewis retired in 1960 and was succeeded by Thomas Kennedy, who died three years later. Then came W. A. (Tony) Boyle, who has just been convicted in a retrial on charges of ordering the murder of Joseph A. (Jock) Yablonski, a challenger

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Now, perhaps you're wondering just why our System works.

It's effective because it's a different approach based on fresh new concepts. We are not an Employment Agency, and we're not Career Counselors. As Corporate Outplacement Consultants there is no firm in the country that has anything like what we have.

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Certainly not age, sex, education, or even low present earnings.

We know. This is because we've already served thousands of people.

Now, there is no question that individuals can use our System to obtain major increases. But for most people money isn't the main thing.

People have praised our methods because it brought them things that were more important than money . . . exciting new careers . . . growth opportunities . . . the right location . . . and more job satisfaction.

Now, we don't mean to make this sound like it's for everyone, or that it works perfectly every time . . . and no one in the world can guarantee you a job, or even promise that you will do as well as others. But then again, you may do better.

In any event, if you really want a better job, and you want to do it less painfully and with more effectiveness than you ever thought possible, then here's what you should do.

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for the office of president, and his wife and daughter.

Current UMW President Arnold R. Miller was elected in 1973 and won re-election last year, in a multicandidate race, with only 40 percent of the votes cast and with a large block failing to vote at all. A close contender, Leroy Patterson, of Madisonville, Ky., got 39 percent of the votes.

Rank and file discontent

That election, according to coal union insiders, bore the seed of rank and file discontent with Mr. Miller's leadership. Much of his support in the election, they point out, had come from pensioners, who are eligible to vote for officers. But only working miners vote on contracts, and since many working miners had not voted for him, any Miller-negotiated contract was headed for trouble.

With such dissent among the union's ranks, nearly anything can happen next. A leadership change appears likely.

Whatever the outcome of the strike, some think now may be the beginning of the end for the long-powerful union. For one thing, the mine union becomes ripe for a possible takeover by another union.

More importantly, however, this strike reached the lives and pocketbooks of many American voters, and anger against unions has risen.

Numerous other contracts will expire in 1978. There could be other strikes which could fuel the anti-union anger, and this could have a major impact on union-sponsored legislation.

On July 20, contracts covering 600,000 U. S. Postal Service employees expire. A strike by those workers would impact quickly and heavily on the populace.

Other expiring contracts include maritime and West Coast longshore unions, United Parcel Service, ground service personnel for three major airlines, railroads, and part of the construction industry.

Pacesetting contract

In addition, contracts covering hospital workers in New York City expire June 30, and bargaining experts say any resulting agreement would tend to become a pacesetter for the hospital industry as a whole.

Strikes are common in American history, but they are costly.

And a growing number of Americans feel the cost is too much to pay. □

PHOTO: WIDE WORLD



A miner shows his displeasure with a tentative contract to United Mine Workers counsel Harrison Combs outside the UMW's Washington headquarters.

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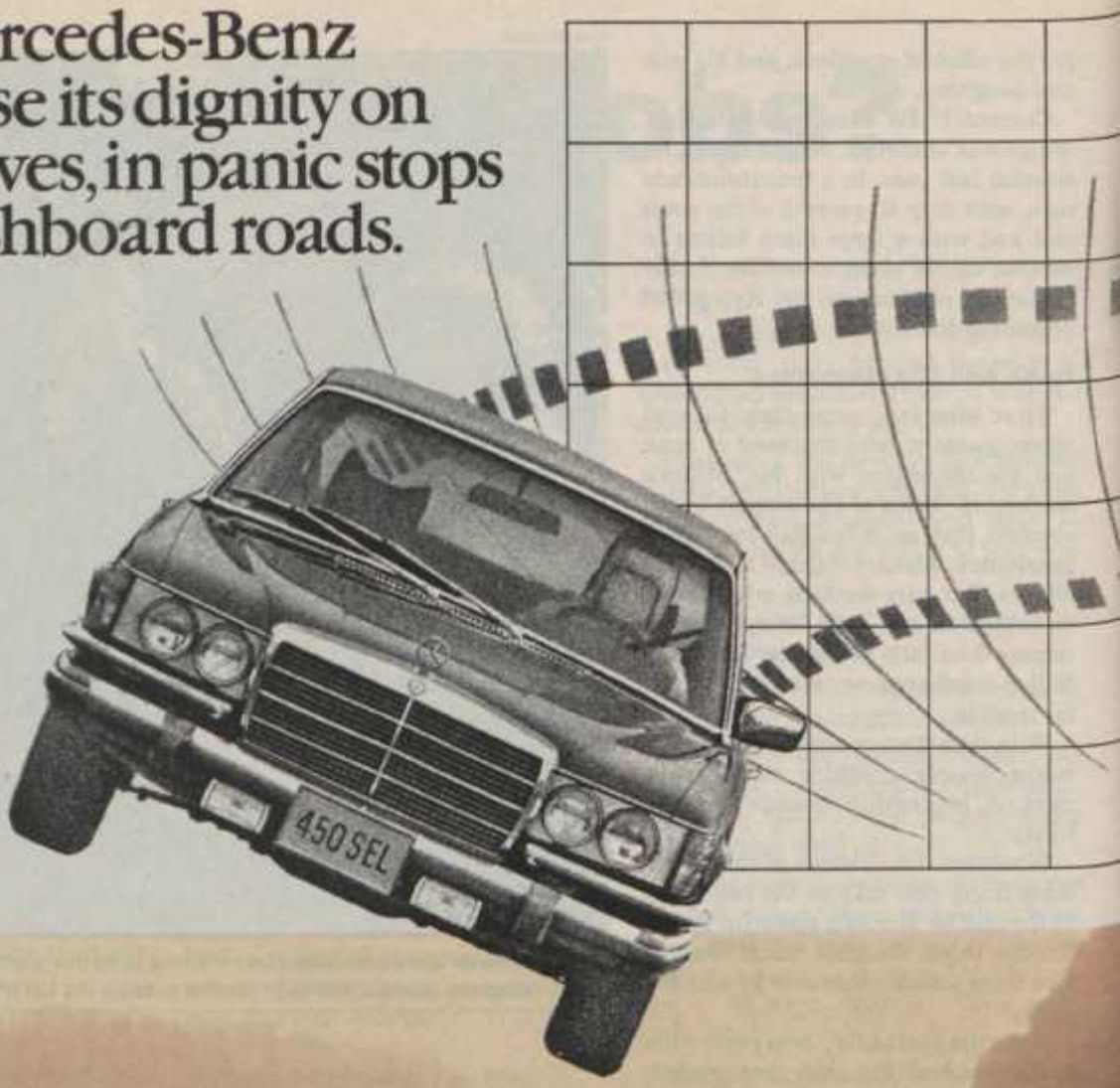
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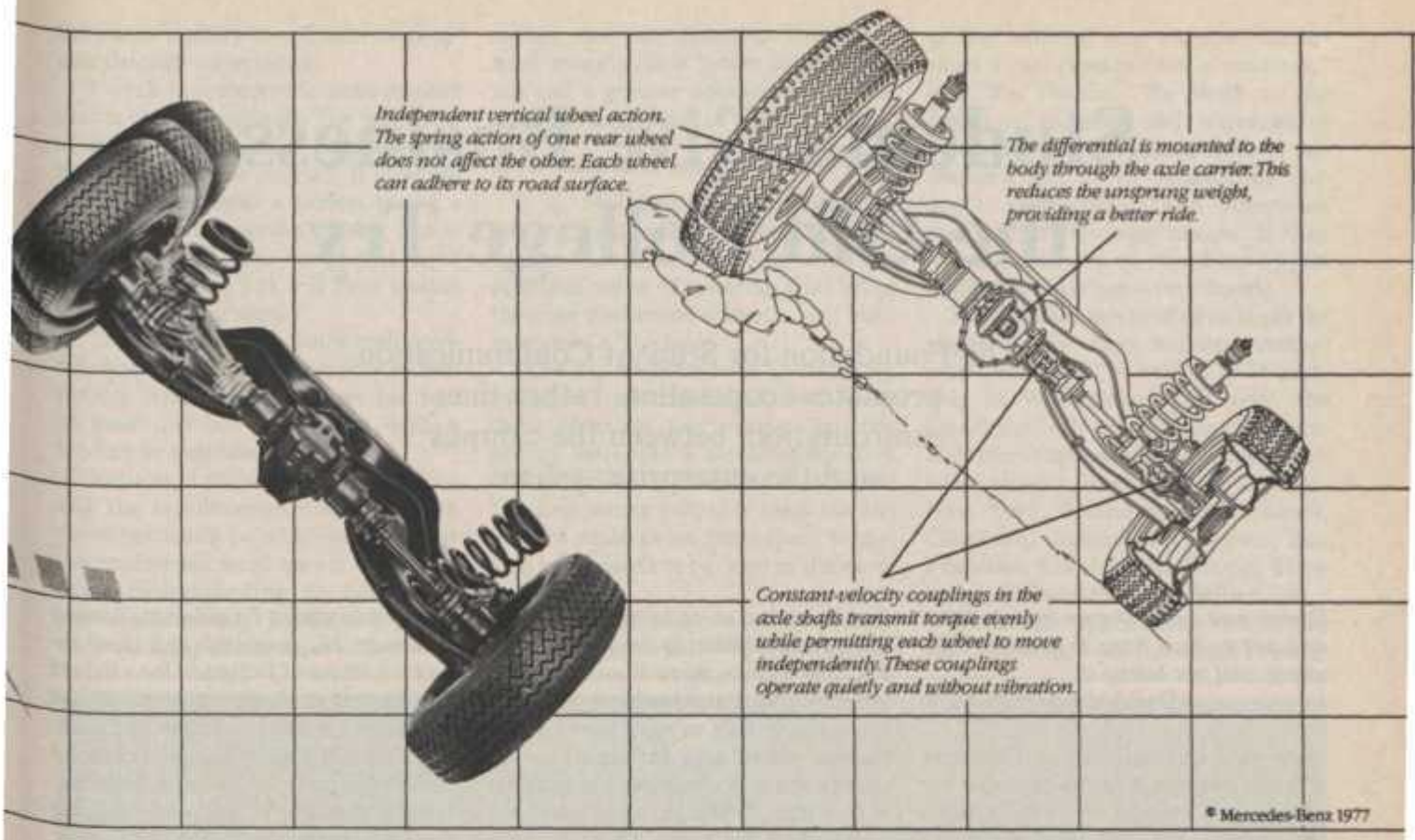
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Four-wheel independent suspension put the automobile on the road to greater safety.

For the first time *every* wheel of a passenger car could adapt to rough road surfaces without losing a sure grip.

And since the wheels acted *independently*, if one encountered a soft shoulder or pothole, the remaining three wheels could handle the annoyance with greater safety than was ever before possible.

Handle bumps without jostle

In 1954 Mercedes-Benz introduced single-joint swing axles to passenger cars. This gave the driver a surer feel of the road. It also let a Mercedes-Benz step nimbly, up and over brutal bumps and around tight curves with much less transmitted vibration.

In 1961 air suspension with automatic level adjustment was engineered into the 300 SE sedans. It eliminated even more vibration and added an even smoother ride. In 1968 diagonal-pivot swing rear axles with four constant-velocity couplings were designed in to keep that smooth ride constant.

Then in 1972 Mercedes-Benz introduced zero-offset steering on the front suspension of the 450 Series sedans. This helped straight-line tracking under heavy braking conditions and provided more precise steering control in emergencies like blowouts.

The suspension of the future

It's the ingeniously engineered hydropneumatic suspension on all four wheels of the Mercedes-Benz 6.9. It gives the driver a level of control almost unmatched by any other 4-door sedan. It provides exceptional stability, even on curves or dirt roads laced with potholes.

Why does Mercedes-Benz go to all this trouble just to keep four wheels on the road? Simple: The engineers believe their job is to advance the state of the automotive art.

They continually strive to find better ways to make a Mercedes-Benz even easier to drive. So the driver has more time to keep his mind on the road ahead. Fatigue is reduced by blessing him with an *absence* of vibration, bouncing, swaying and undue noise.

Safety first

All cars surround you with safety belts. A Mercedes-Benz also surrounds you with an additional belt of safety: a unitized steel protected passenger shell which is designed to help absorb impact energy.

In an unavoidable accident situation a Mercedes-Benz is designed to crumple progressively. For example—on impact the forward subframe can absorb shock by gradually closing like a metal accordion.

All in all a Mercedes-Benz surrounds you with over 100 safety features—most of which you'll probably never notice or need. But they're there—just in case.

Engineered like no other car in the world

People give many reasons for choosing a Mercedes-Benz.

But the company's aim in designing and constructing them is doggedly single-minded.

It is to build safe, comfortable, practical cars—with as few imperfections as possible.

This philosophy puts engineering ahead of petty economies and precludes the mass production of inexpensive cars.

It allows little room for compromise or for shortcuts; just the pursuit of engineering excellence.

A Mercedes-Benz is engineered like no other car in the world.

Students Give Business the Old College Try

The Foundation for Student Communication promotes cooperation, rather than confrontation, between the campus and the enterprise system

Speech was made to open man to man, and not to hide him; to promote commerce, and not betray it.

—David Lloyd (1635–1692)

AN ORGANIZATION run by Princeton University students is doing for advantaged college students around the country what the Head Start program does for disadvantaged preschool children.

Head Start opens the door on schooling for disadvantaged youngsters, giving them fundamental information which proves invaluable in later years.

The Foundation for Student Communication, Inc., founded in 1968 by eight Princeton freshmen who dropped out of the campus revolt and focused on life after college, transports students from the theoretical world of academe to the practical world of business.

It brings handpicked groups of student leaders together with business people, and it disseminates understanding about the business system to thousands of other students.

No government aid

By and large, business people give the FSC high marks.

Unlike Head Start, a federal program, the FSC has no government support. As a nonprofit educational organization based in Princeton, N. J., it draws its $300,000 annual budget from advertising revenues in its thrice-yearly magazine, "Business Today," and from corporate sponsorship of a biennial national conference and several annual regional conferences.

Says David R. Corbin, Princeton class of 1978 and outgoing president of the FSC: "It was started as another voice, an alternative to activism. Now that the mood on campus has changed from confrontation to cooperation, the FSC has become more of a catalyst between students and business people, to get them to talk to each other, to exchange views and information. Although there is no longer the hostility of the late 1960's among students, a tremendous ignorance about business still pervades most college campuses."

Controversial themes

To nullify that ignorance, the FSC magazine and conferences explore controversial themes such as business ethics, corporate social responsibility, government regulation, free enterprise, and the energy crisis.

For example, the spring, 1977, issue of "Business Today" posed the question: "Rags to Riches—Is There Still Room for Entrepreneurs?"

Well, yes, according to most of the issue's writers, but success is not so instant nor rewards so ample as in the halcyon days of Horatio Alger.

The entrepreneurial theme was expanded at the FSC's fourth national conference last November to include the future of the American market system, with a look at business and government, the role of multinational companies, and limits to growth.

Speakers came from diverse backgrounds. They included, for example, Kathleen F. O'Reilly, executive director of the Consumer Federation of America; Glenn W. Johnston, president and chief operating officer of Sterling Drug, Inc.; William A. Rusher, publisher of the "National Review"; Leonard Silk, financial columnist for "The New York Times"; Russell Train, former director of the Environmental Protection Agency who now is with The Conservation Foundation; Samuel B. Casey, Jr., president and chief executive officer of Pullman, Inc.; Robert Heilbroner, professor of economics at the New School for Social Research; and Harry E. Figgie, Jr., chairman and chief executive officer of A-T-O, Inc.

Such diversity is the key to making the conferences work, says Mr. Corbin. "We have to present a variety of views on a subject to maintain our credibility. We aim at a point-counterpoint type of discussion. We break up the conference participants into small panels to hash over the ideas and issues raised by the speakers."

Leaving the soapbox behind

J. Luis Faustino, corporate planning manager for overseas subsidiaries at S. C. Johnson & Son, Inc., who attended the November conference, says: "In the 1960's, it was impossible to talk to students. They wanted only the soapbox.

"At this conference, which was superbly organized, the students' questions were reasonable, not strident. There was no mouthing of slogans. We were looking for answers together. The students were really concerned about this world they were soon to join."

John R. Buerkle, an S. C. Johnson product manager, attended the same conference. "I was much impressed by the quality and range of the speakers," he says. "The whole conference was very professional.

"My biggest surprise was the misunderstanding in the way students perceive business. We spent a lot of time discussing government regulation. The students' attitude seemed to be that, if government doesn't watch business closely, business will take advantage of

the public and try to sell inferior products through advertising.

"I work in a corporate environment that is just the opposite. The last thing in the world we want is good advertising for an inferior product. If good advertising persuades a person to try a product and the person doesn't like it or finds it inferior, he or she will never buy it again, and you will have wasted your advertising money.

"The students' experience with products and business has been only as consumers. And every consumer has had at least one bad experience with a product or business.

"Initially, I think both the students and the businessmen disagreed with the other side's point of view. But as the conference went on—it was three days—understanding on both sides grew tremendously. By the end, people were thinking about what others were saying, not just reacting. Everybody went away with a better understanding and a greater appreciation of the other person's point of view."

How students are picked

E. J. Mulligan, vice president for public relations of Continental Oil Co., agrees. "I am a firm believer in the potential value of meetings that bring together professors, students, and business people," he says.

"The rap sessions were particularly valuable. I was bombarded with questions, of course, and I hope I put the energy issue into a better perspective for the students. To admit that big oil has done wrong helped to clear the air, and we could go on from there to discuss what needs to be done in the energy field."

The foundation is not simply preaching to the converted. "We try to attract to the national and regional conferences a real cross section of students," says Mr. Corbin. "We write to the deans of colleges and universities across the country, asking them to recommend ten to 15 outstanding students, academically and otherwise, and not just business majors. If they were all business, we would end up just talking to ourselves—very boring."

The students are invited to apply for places at the next national conference—which will be held in 1979, probably in Washington. This year, the foundation will concentrate on regional conferences, similar to those which have already been held in Chicago, New York, Minneapolis, St. Louis, Cleveland, Cincinnati, Princeton, San Francisco, Los Angeles, Detroit, Pittsburgh, Philadelphia, and Milwaukee.

"From the applications, which are like a resumé with the added require-



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ment of an essay on whatever subject the conference is to address, we select the most representative," says Mr. Corbin. "For the national conference last November, we had 660 applicants for 175 places. Many of those not chosen for the national conferences are asked to take part in regional forums."

Room for radicals

Is there room for radicals? "Sure," says Mr. Corbin. "Some student radicals are leaders, and we emphasize leadership. Of course, we don't want someone who will just rant and rave. We want those who can get their viewpoints across.

"In the beginning, we had mostly probusiness students, and the conferences, frankly, were not that well put together. But we have learned over the years. We now have had four national conferences and 14 regional conferences. So we know how to put these things together."

That assessment is valid, says Sterling Drug's President Johnston. Last November's conference, he says, "was one of the most meaningful things I have seen the academic community do, especially because the students did it all themselves. The speakers and workshop discussions were provocative.

"A couple of students seemed to challenge almost everything that was said. But the majority had a pretty good knowledge of what they were talking about. Their questions made sense. There was minimal negativism."

There has been some. Says Carol Finke, from Case Western Reserve University, who attended the 1975 conference: "It strengthened my unfortunate stereotyped opinion of businessmen as very narrow-minded individuals. I think the majority of businessmen with whom I had contact were more interested in imposing their viewpoints on the students than in considering other points of view."

Neither side has horns

And Frank Jeffries, of the University of Texas, says of the same conference: "Many of the business executives failed to leave their closed minds at work—and attempted to defend the corporation too much."

The middle ground lies with the opinion of Dean Hewitt, former director of public relations for Kimberly-Clark Corp., who attended one of the early national conferences: "If anything came out of the conference, it was the awareness, no matter how slight, that neither students nor businessmen have horns, that both can share moments of empathy, of appreciation of one another's views, if only in passing."

Talking about gut issues

Says Mr. Corbin: "One of the neat things about this organization is that we are students offering other students an unusual framework where they can really talk to business people about gut issues. Even if the students' opinions remain unchanged, there has been communication.

"When business executives come to a university and say, hey, we want to have a program ... well, it's not the same thing, it doesn't work as well."

The foundation is set up like a minibusiness. There are magazine and conference divisions, both headed by vice presidents who report to the president. The president has a board of trustees, consisting of former FSC officers, and an advisory board consisting of corporate executives. There are also a financial section and a new public relations group which is celebrating the FSC's



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tenth anniversary with a publicity campaign.

Officers are paid $200 a quarter, which, "when you add up the amount of time you put into the FSC, comes to about 40 cents an hour," says Mr. Corbin.

Advertising in the magazine costs $2,800 for a full black-and-white page and $3,200 for color. Company sponsorship of national and regional conferences is $2,500 and $1,000 respectively. This allows a company to send three representatives to the conferences. So far, more than 250 companies have been sponsors and advertisers.

How selling is done

How does the FSC persuade companies to part with corporate cash?

"We divide up into pairs and go out on the road for the whole summer and sell," says Mr. Corbin. "It is a great experience. You have to sell these companies on an idea, communication.

"You have to set up your appointments, write your reports and thank-you letters, type them, and then set up appointments in the next town. It is pretty grueling, but we have to be organized.

"We have complete files on all the companies we have contacted. We also have one staff secretary who knows where everything is, our corporate continuity person."



David R. Corbin, outgoing Foundation for Student Communication president, graduates from Princeton in June. He intends to work in the business world for a few years and then go to postgraduate business school.

The magazine, which goes to 200,000 students across the country, takes the same point-counterpoint approach as the conferences. The winter, 1977, issue featured articles on the ethics controversy, with contrasting views presented by, among others, William S. Sneath, chairman of Union Carbide Corp., and Mark Green, director of Ralph Nader's corporate accountability research group.

Each spring, the magazine publishes a career survey—which companies are hiring, how many, what qualifications are needed, and what the pay scales are.

In a 1970 issue, the magazine printed this judgment of business, which is still cogent today:

"Business is wide open. It's growing, and it's changing both in its personnel policies and its fields of interest. . . . [It] has the resources and the energy to get things done, to let you actually do something for yourself and for society. It may need a kick in the butt every once in a while, but that's what we people are here for. Check it out." □

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For more demanding copy needs, there's the *Canon NP-L7 with ADF* that automatically feeds and collates up to 40 pages. The popular *NP-L7*, for copies up to 11"x17" in either book or sheet mode. Or the *NP-1824* for copying newspaper-size originals up to 18"x24".

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LESSONS OF LEADERSHIP

Turning Ideas Into Profits

By Henry Altman

Richard J. Jacob, chairman of Dayco Corp., is always seeking new and better ways of doing things. His career shows how drive and an inquiring mind pay off in business

A DOZEN executives in business suits are seated along an oblong table. At one end is a screen on which slides showing columns of figures are being projected. At the other end is a hefty, bald man. He is the only one in the room in his shirt sleeves.

"I've been pushing you guys to spend more on research and development in this division for five years," he says. "Now it's judgment time. Where are the new products? We're not with it enough, guys. We need products to overcome competitive problems. What am I going to tell 12,000 stockholders? That the division's sales are going to be down one million-six?"

From midway along the table comes an answer: "Let me tell you something, Dick. The guts of this division is electrical hose. You had an exclusive product 12 years ago, and you still have it. That's where the R & D money has been going."

Another man adds: "And we're not going to be down one million-six."

Dick is Richard J. Jacob, chairman and chief executive officer of Dayco Corp., a manufacturer and distributor of thousands of products. The scene is the board room at Dayco's headquarters in Dayton, Ohio. The occasion: budget planning for one of Dayco's 14 divisions.

What's a researcher worth?

Mr. Jacob still isn't satisfied with the extent of research and development in the division.

"What are we paying new R & D people now?" he asks. "Is it $20,000? What would happen if we paid double that?"

The first man who had answered him before, Wilhelmus Waanders, Dayco's vice president of R & D, says he can't get new people who are worth that much.

Dick Jacob expresses mild disbelief. "I wouldn't work for less than $40,000, I'll tell you," he says.

Mr. Waanders says: "I wouldn't hire you."

The room explodes in laughter.

Other subjects are explored. Dayco principally manufactures rubber and plastic components for industrial products in the transportation, agriculture, energy, printing, textile, and construction fields. The company is, for example, the world's largest manufacturer of industrial V-belts, so named because these belts, which drive parts of machinery, are tapered.

In the vast majority of its product lines, Dayco is either first or second.

Fighting the competition

Now Mr. Jacob hears that competitors are coming on strong in a line where Dayco has long been the clear leader.

"Don't let those guys beat us," he tells the division head and other division executives. "If they beat us, it's your neck. You got that, loud and clear?"

The words may be gruff, but there is a glint of friendly humor in his eyes. Nobody seems intimidated.

While Dick Jacob clearly is the boss, it is also clear that there is a lot of mutual respect in the room. The atmosphere, obviously, is one of camaraderie—macho camaraderie. Language is often salty.

An executive complains that it has been taking too long, after proposals for projects have been formulated, to get final approval for them. There is a lot of back and forth about how to speed up procedures.

While others talk, Mr. Jacob listens, occasionally throwing in a suggestion. Finally, he says: "Do it any way you want to. But do it."

A business lunch

Lunchtime arrives. Instead of adjourning to a restaurant or the Dayton Racquet Club, which Mr. Jacob frequents of an evening, everyone stays put. Secretaries bring in hamburgers from a nearby fast-food place.

And Dick Jacob keeps the conversation going, not about sports, other forms of recreation, or politics—there's plenty of time for that over drinks in his office at the end of a long day—but about business.

While in Florida on a business trip recently, it seems, he had stopped by an apartment building he owns and chatted with the building's young maintenance man. "The kid has developed a kit for patching plasterboard," he says. "Anybody here ever try patch-



Louise (Pat) Jacob, Richard Jacob's wife, recalls that in his early business days he would take her along on sales trips. "We ate sandwiches by the side of the road," she says. "If he had a good day, we stopped at one of those places that say, 'Eat.' "

ing plasterboard? What do you think the market for a kit would be?"

A discussion of the possibility of Dayco's producing such a kit follows, a discussion that continues until lunch is over and everyone goes back to the past and predicted sales, profits, and cost data that are beamed on the screen at the end of the table.

Through it all, Dick Jacob is the dominant figure—sometimes offering suggestions, sometimes pulling them from others, weighing what is said, and making decisions.

There you have him—Richard J. Jacob, 58, co-founder, with his brother, of a small plastics company whose phenomenal success led him to his present position. He now heads a company with 11,700 employees and sales that topped $570 million last year. Dayco's revenues have increased 84 percent since he became chief executive officer in 1971, and its earnings have increased 157 percent.

A driver, not a coaxer

When you talk to people who know Dick Jacob well, you realize some important facets of his business leadership were evident at the budget meeting.

"He's a leader, without any question about it," says Frank G. Anger, a retired banker who is a member of Dayco's board of directors. "He's a driver more than a coaxer. He's very, very sharp."

Says Ernest F. Dourlet, Dayco's president and chief operating officer: "Dick has more ideas in any one day than an average guy does in a month. He doesn't expect them all to be good. I've heard him come up with ideas that I thought couldn't possibly be right. Then it turned out there was a lot to them."

Louise (Pat) Jacob, Mr. Jacob's wife, says that "Dick is very enthusiastic. He talks to people everywhere, with an eye to business. One time he was in the hospital for a physical, and he got to talking with the man in the next bed. He thought the man was smart, and he wound up hiring him."

Mr. Jacob himself is fond of recalling such hirings: "There is a fellow who was a waiter at one of the eating spots here. He really served a dinner—there were no errors whatsoever. I said: 'Listen, I'll bet you can even take an order for an industrial belt.' He said: 'You bet I can.' He's working for us now."

Most of the hirings have turned out well. Mr. Jacob's interest in talking to people is linked to perceptiveness about them. He is celebrated for going through one or another of the company's dozens of plants, chatting with foremen, and then telling managers that such and such a foreman is a good candidate for promotion, demotion, being shifted horizontally, or staying where he is. "Usually," Mr. Dourlet reports, "Dick's judgment in these cases is good."

Emphasis on inventiveness

Mr. Jacob has long emphasized research and development in his company, as evidenced by his sponsorship of the Dayco Inventor's Club. Members, company employees ranging from production line workers to Mr. Jacob himself, have invented hundreds of patentable products or techniques. Each member is ceremoniously presented with a plaque in addition to other rewards.

Another aspect of management by Dick Jacob is stringent cost control. At a time of rising profits, Dayco cut its dividend in order to reduce borrowing expenses. Though executives are well-paid, their offices, including Mr. Ja-

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cob's, are not lavish. Executives, again including Mr. Jacob, ride economy class on airliners.

Expenses are cut in other ways, too. Dayco people tell of the time that Dick Jacob and a couple of other executives had to charter a plane when bad winter weather grounded a commercial airliner. There were seats to spare in the chartered craft. They were filled after Mr. Jacob's associates went around the terminal looking for passengers. Contributions from the other passengers helped defray the cost of the flight.

Two apartments in one

Dick Jacob, who frequently travels around the U. S. and abroad, lives in a comfortable Dayton apartment that was created by combining two apartments. The Jacobs feel no need for a house any longer—their daughter is married, and their son is away at school getting a law degree. Besides, the apartment is near Dayco headquarters.

The apartment contains treasured collections of guns, antique watches, and framed autographs of such personages as G. Washington, A. Lincoln, and R. E. Lee. But Mr. Jacob's mind is never far from his work.

In the following interview with NATION'S BUSINESS, he talks about that attribute and about other things in his life that have helped him grow big in the business world from small beginnings.

You have been described as a workaholic? Do you really sometimes work 12 to 15 hours a day, seven days a week?

That's true. It's probably because of my inability to get the work done in less time.

Do you expect those around you to put in hours like that, too?

Not necessarily. I think if a man has a job to do, he should do it regardless of the time it takes. But if his desk is pretty clean, he can let go and have some fun.

How do you feel about people who have more time for leisure? Do you envy them?

I don't really envy anybody—other than thin people, because I'm so heavy. I like my work. It's fun. It's exciting.

Do you take vacations?

Yes, but seldom without a customer or a business associate. I feel more comfortable about a vacation if I combine business and pleasure. An example: I am taking two trips to Florida soon, and in both cases I'm taking customers along.

So you never really leave the business behind you?

No. I really don't want to.

Will you retire someday?

I can't say I won't ever retire, but I really don't have plans to.

Do you have other interests aside from business—and your family, of course, and the various educational and civic institutions on whose boards you serve?

Well, for one thing, I repair watches. I'm pretty good at it. I haven't seen one yet that I haven't been able to fix, unless it's a real antique. Then I have problems.

My wife, Pat, had a little sign made which we hang outside our apartment. It says: "Watchmaker to the neighborhood. No charge." I must have 40 watches to repair. It keeps me busy.

I like anything mechanical, and watches are kind of fascinating. I have a number of other interests, too. I collect guns, and I hunt and fish when I have an opportunity.

Do you have trouble finding enough time for these outside interests?

Let me ask you this: If you get home at seven and it takes you an hour to have dinner, what do you do between eight and 11? And if you come home Saturday at one o'clock, what do you do between one and five?

There really is a lot of time in your life if you put it to use.

You used to live a ten-minute drive from your office, I understand, but you moved closer. Why?

I think you ought to make commuting time as short as possible. You get more work in.

Even though there might be some cost in the quality of the surroundings of your home?

I don't think that way, okay? I'm sure a lot of people do, but that kind of thinking never enters my mind.

How much effect did your early life have on your life as a businessman?

My father was in the mortgage business in Detroit. I came from a household that had all the advantages.

There were five children, and I guess I was the dumbest. I never did much work in school and finally ended up in private schools because that was the only way I could graduate. I'm not sure I know why—maybe it was because I didn't like books and reading.

It wasn't that I was lazy. I did a lot of things that kept me busy. I had a perfume route, I had a magazine route, and I packed Christmas baskets. I made a fair amount of money, and I put it away, too.

But I did so poorly in school—I had some college, but never came close to graduating—that there didn't seem to be many long-term career opportunities open to me. So my dear father suggested that I join the Army, which I did. That was in 1940. I spent a little less than six years in the Army, getting out at the end of World War II.

I found myself while I was in the Army. I started as a private and ended up a chief warrant officer. I had responsibilities, and I took them seriously. I loved our nation, and I felt the cause was great. I think I developed in the Army.

Did your dad teach you much about the business world?

As we kids became 16, we were given authority to sign checks. I really never tested my father by signing a check, but all the kids knew where the checkbook was, and we all had a sense of what the family was worth, etc.

The family financial condition was discussed. We heard the planning and the ambitions.

I followed the same procedure with my own kids.

Did the fact that your father was a businessman have a bearing on your going into business yourself?

It was a matter of not knowing what else to do, in reality. My older brother, Bob, and I went into business together. He was an attorney who never practiced. He was in the war, too, and when we got out, we thought there was an opportunity to do well in business. We were young and didn't know much. If you know too much, you don't do things.

We each put up $5,000 in capital and founded Cadillac Plastic and Chemical Co. We started buying surplus rubber hose and plastic and selling it in the marketplace. For example, we bought plastic sheet that had been used for the domes of airplanes. We would heat it, make it flat, and sell it.

Then we started manufacturing from the scrap. Then we started

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Did your father help you?

We learned as we grew, and our father wouldn't really help us until he was damned sure we knew what we were doing. He felt a little more comfortable about the business in 1951 and gave us substantial financial assistance. From then on, it was almost duck soup.

You could make money with money; you could not make it without money. That was my father's philosophy.

You also went into real estate in this period?

Yes. People in my family had been in real estate for many years. My mother was born and raised in Texas.

And you also went into the brokerage business?

Yes. My brother and I and a close associate of ours started a brokerage firm in Detroit in the late 1950's. We owned a downtown office building, and we needed a tenant and couldn't find one. So we bought a seat on the New York Stock Exchange and moved our new firm into the building as a tenant.

We sold the firm later. We did quite well with it. I think it was the second or third largest brokerage firm in Michigan when we sold out.

You also sold Cadillac Plastic to Dayton Tire and Rubber Co.—now Dayco. Why?

My brother and I sold Cadillac Plastic in 1957 because we got a good price in Dayton Tire and Rubber stock—we became the largest stockholders—and because we wanted to concentrate on the brokerage firm and real estate. Also, we hoped that, in time, we would go on to other things. But things didn't work out the way we planned.

Six months after we sold, Dayton Tire and Rubber changed chief executive officers. From then on, it went downhill. By 1960, the company had lost 40 to 45 percent of its net worth.

So my brother and I got hold of the former chief executive officer—he was still at the company as chairman—and decided to put him back in.

We still wanted to pursue our other interests, but the board suggested my brother move to the company as president in 1961, which he did, and I came in 1965 as executive vice president.

In 1968, after the chief executive officer retired, my brother succeeded him, and I became president. I succeeded my brother after his death in 1971.

Dayco sold its tire business to Firestone in 1960, didn't it? Why?

The tire business was a money drain—it had been losing money for a couple of years. And we got in excess of $20 million for it.

More recently Dayco also sold a number of companies that it had acquired. How did that come about?

During the 1960's, it was a great fad to diversify—to try to increase your earnings by acquisitions. In fact, that is quite popular today. We bought a lot of companies. I'm not sure we always used the best judgment.

But we learned our lesson the hard way. And we sold off what we didn't feel had the best chance of success for the Dayco group. We kept more than we sold, though.

You say you learned your lesson the hard way. What was the lesson?

One, you can't own everything. And two, you had better know what you are buying, and you had better know it thoroughly.

What did it feel like, having to sell an acquisition? Like losing a friend?

It was tough, but not as tough as losing a good friend. You kind of question your own judgment. You were wrong the first time. Are you going to be wrong the second time? Those things enter your mind.

Have you ruled out making further acquisitions?

Certainly not. We will diversify, providing we understand the product lines and the marketing, etc. But I feel it's important that there be some compatibilities.

I don't think the retail business is meant for Dayco, okay? But I think metal manufacturing or plastic manufacturing are. Certain types of businesses that we are not in now would fit because we understand them.

Nearly all the products Dayco makes are components for the manufactured products of other companies. Fan belts and heat-reflecting materials for autos, for example. Do you worry that your customers will decide to make these components themselves?

Basically, no. I think they are satisfied with their present suppliers and with not having to invest their own capital or acquire the knowledge to produce the components.

After all, how many things can one corporation know or handle?

You mentioned automotives. I think the automotive companies have gone in-house as much as they care to go. A supplier to the automotive companies today can feel fairly safe if he's innovative and can make the product at a reasonable price.

In 1975, at a point when your profits were rising, you cut Dayco's dividend. Was that a tough decision to make, and why did you make it?

I knew you would ask me that. In 1975—and I'm not sure that it won't occur again soon—capital monies were difficult to come by, and they were expensive. It was the feeling of our board, myself included, that we could save ourselves a couple of million dollars a year by cutting the dividend.

Now, a couple of million dollars is $20 million over a ten-year period, and you ought to be able to make $10 million or $15 million on it in those ten years.

We would never have cut the dividend if we had not been in a growth



Mr. Jacob's hobbies include repairing watches, and extra lenses come in handy. "I like anything mechanical," he says, "and watches are kind of fascinating."

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I look at it this way: We work for these people, so let's give them the best judgment we can muster.

Did you sweat out your stockholders' reaction?

I sweat all the time, anyway, so it really wasn't a big deal. As it turned out, we got very little negative reaction. To an extent, I was surprised.

Employees own a big proportion of Dayco's stock, don't they?

About 40 percent. Executives, former executives, and their families own another 15 percent.

Some of that employee ownership is through pension funding, but mostly, it's through our stock purchase plan. We have approximately 2,900 salaried, white-collar employees, and I would say 2,650 of them participate in the stock purchase plan. The proportion of blue-collar workers who are stockholders is smaller.

What effect has all this employee stock ownership had on Dayco?

It gives us a lot more push. Hey, you know, everybody is an owner. They have an attitude of come on, let's really do it. Stock ownership is an important factor with the salaried employees.

However, while our labor relations have been more than satisfactory, I'm not going to say that's because an hourly worker has a stock interest in the company through the pension fund.

How does a hardworking executive like yourself feel about unions that press for shorter hours?

If they can do the same amount of work or more in fewer hours, I don't give a damn. If they can't, forget it. A 40-hour week is a pretty practical approach for a working man's life. I think our nation's productivity would drop off considerably if a 38-hour or 36-hour week became customary.

I don't know that for certain. I'm not an expert in this area. But I do know that you can improve productivity through innovative methods of talking to your personnel—telling your hourly people what productivity is, what it does for them, and what it does for the company they work for.

We do a lot of that at Dayco.

How would you characterize your management style? Are you a delegator?

If you don't delegate in a company like this, you will never get things done. There is too much to do. I delegate and check. That's the best way I can describe my management style.

Dayco makes or distributes 30,000 products. How do you keep tabs on them all?

I don't try. That's not my job. My job is to push and motivate people. It requires motivation to keep new products in development and in the marketplace.

You have a reputation around the company of being quite an idea man. How do you get all these ideas?

I just keep my eyes open. Not many of my ideas are acceptable, but coming up with them is a method of getting people to think. Maybe the thought of using a new type of steel on a product will end up with our using a new polyethylene.

Just thinking about an idea might lead somebody to think of something else that's valuable.

Are your executives paid well?

We pay our executives probably 15 to 25 percent more than the average company of our size and type.

Why is that?

Because I think our people are the best in the industry and are worth it.

Too, we don't have anybody leaving us. Our competition can't touch them because, apparently, it doesn't want to meet the pay scales.

We work on a bonus plan. I'll try to give you a quick shot at it. Salaries of divisional managers, for example, are in the neighborhood of $45,000 to $60,000 a year. The managers can make at least 100 percent of their salaries in addition, based on the following formula:

Forty percent depends on improvement in their own operations, 30 percent is based on how well the parent company—Dayco—does, and 30 percent is based on the judgment of our president, Ernie Dourlet, and myself.

The judgment factor goes like this: Do they cooperate? Are they willing to sit and listen and discuss? Will they keep their expense accounts in line?

For example, rules are that everybody rides tourist, including me. It's no big deal. But if I get on an airplane and

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66th ANNUAL MEETING
Program

SUNDAY, April 30



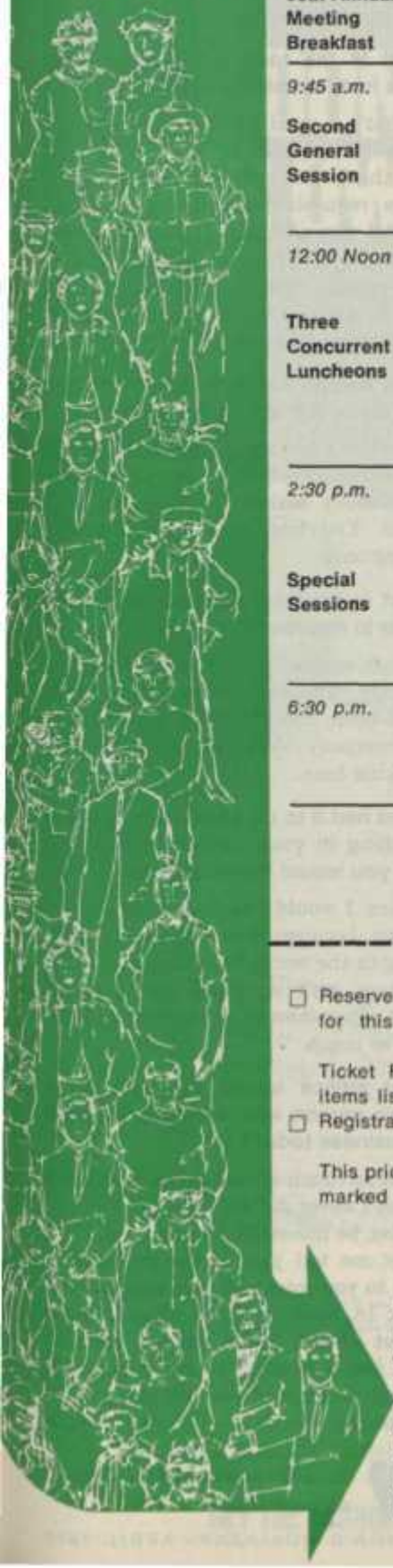
10:00 a.m. *8:00 p.m.*	**REGISTRATION DESK OPEN** (All Tickets at Registration Desk)	*Washington Hilton*
2:00 p.m.	**NATIONAL CHAMBER EXHIBITS AND DISPLAYS** A unique opportunity for business and chamber executives to preview a broad range of outstanding programs, services, publications, videotapes, films and other materials developed and made available by the National Chamber for the use of Federation members. . . . and a spectacular NATION'S BUSINESS display on the industrialization of space.	*National Chamber Building and Washington Hilton*
4:00 p.m.	**NATIONAL CHAMBER RECEPTION** A special social occasion to meet and exchange greetings with old and new friends, Washington dignitaries, National Chamber officers and directors.	*National Chamber Building*
6:30 p.m.	**SMALL BUSINESS DINNER** The dinner program will honor small business and document the tremendous strides that the National Chamber Federation has taken during the past year in the cause of small business. It will show how chambers of commerce are focal points of small business interests and activities in America.	*Washington Hilton* *Admission by Ticket $27.50

MONDAY, May 1



8:30 a.m. **First General Session**	**THE GRASS ROOTS REAWAKENING OF AMERICA** This program will dramatize the vital role that the business community at the grass roots is taking once again to lead the Nation back to public policies that are consistent with America's fundamental principles. The program will show how grass roots America can reassert itself and prevail in today's increasingly complex social and political environment.	*Constitution Hall* *Admission by Ticket $20.00
12:00 Noon **Luncheon**	**AMERICA AT THE TURNING POINT** America's experience with the false promises of economic liberalism has set the stage for the re-emergence of public policies and actions that are in keeping with our basic principles. Is the liberal era ended? Are current conservative trends real? Will they last? This program will answer these questions and point the way toward bold and new national policies.	*Washington Hilton* *Admission by Ticket $22.50
2:30 p.m. **Special Sessions**	**NEW ALTERNATIVES FOR PUBLIC POLICY** These simultaneous sessions, sponsored by the National Chamber Foundation, will provide innovative alternatives to current and emerging problems that affect the business community and the American people in general. New and provocative ideas, resulting from National Chamber Foundation research will be unveiled. ★ **IMPROVING OUR HEALTH** Action to provide, at reasonable cost, quality health care for the American people. ★ **THE RIGHT OF PRIVACY AND THE NEED FOR OPENNESS** Identifying and resolving the contradictions between the thrust toward openness in government and business and the rights of individual privacy. ★ **PRIVATE SECTOR ALTERNATIVES TO SOCIAL SECURITY** Practical steps toward providing a funded retirement for America's older citizens, and toward alleviating the future tax burden on younger members who otherwise would have to provide for transfer payments to older persons. ★ **BACK TO THE PEOPLE** Practical steps that can be taken to get rid of an outmoded federal program that has turned out to be inefficient, inequitable and insensitive to the feelings of the American people. ★ **STRENGTHENING AMERICA'S COMPETITIVE POSITION** A priority program of positive actions to overcome government constraints and lead to expanded exports and investments by businesses of all sizes.	*Washington Hilton* *Admission by Ticket $15.00
evening	**STATE CONGRESSIONAL DINNER/RECEPTIONS** For detailed information write the National Chamber. Ticket prices arranged by State Chambers and Associations.	*Various Locations*

of the Chamber of Commerce of the United States
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TUESDAY, May 2

7:40 a.m. — 66th Annual Meeting Breakfast

AMERICA'S RELIGIOUS PRINCIPLES
This program will emphasize the significant parallels between America's ethical values and its fundamental economic and social beliefs.

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*Admission by Ticket $12.50

9:45 a.m. — Second General Session

THE AMERICAN ECONOMY
This session will provide up-to-date facts on the level of confidence that the business community has in the American economy. It will show major elements of the Administration's plan to deal with economic problems, and will explore the degree to which this plan is likely to restore confidence and reinvigorate the economy.

Washington Hilton
*Admission by Ticket $20.00

12:00 Noon — Three Concurrent Luncheons

(Be sure to check one on Ticket order form)
These three luncheons will provide timely programs on challenges facing the business community and will suggest courses of action that can overcome problems and lead to success.

★ **INTERNATIONAL LUNCHEON: WORLD TRADE PROSPECTS**
★ **ENERGY LUNCHEON: ENERGY—THE NEW ROUND OF CHALLENGES**
★ **ELECTION LUNCHEON: VICTORY FOR AMERICA'S PRINCIPLES IN THE 1978 ELECTIONS**

Washington Hilton
*Admission by Ticket $22.50

2:30 p.m. — Special Sessions

These three simultaneous sessions will recognize individual business and organization accomplishments of the past year and will provide "how to" advice and guidance to improve performance further during the year ahead.

★ **WOMEN IN BUSINESS**
★ **LABOR RELATIONS—HOW TO PROMOTE THE MUTUAL INTERESTS OF EMPLOYER AND EMPLOYEE**
★ **LEADERSHIP PROGRAM FOR ORGANIZATION EXECUTIVES**

Washington Hilton
*Admission by Ticket $15.00

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Top Dayco executives, during conferences in their board room, frequently lunch at the conference table, with the fare brought in from a fast-food place. Relaxation must wait. To Chairman Jacob's immediate left: President Ernest Dourlet.

see one of our guys riding in first class, he loses two percent of his 30 percent.

Has that ever happened?

You're damned right that has happened.

There is another part of the judgment factor. What do you do when divisions continually go ahead in sales and earnings, but you know in your heart that they could be doing much better?

I don't have all the answers to that, but I know what I do. I knock a little something off the managers' bonus each year, hoping they will get the message.

You mentioned that executives must ride economy class on airplanes, and I notice that, although your offices are not exactly grubby, they are not palatial, either. Is there a basic company philosophy involved?

Customers are not won by a fancy office. They are more impressed by a balance sheet and by service and quality. Hey, everybody has his own viewpoint in this area. I find no fault with the man who wants to build a fancy office.

You answer your telephone yourself. Is that an economic use of your time?

A lot of people say no; a lot say yes. I know it makes me comfortable, and I can hang up the phone as quickly as I can pick it up.

Do you ever get calls from customers complaining about a product?

I have. And one day about six months ago, I took an order. I had called on a customer with the head of one of our divisions on a Saturday. It involved a plane trip of a couple of hours. There were some problems that had to be straightened out.

Well, we got things straightened out, and as I left I said: "If you still have a problem, give me a buzz." It was just an offhand comment.

A week later, the guy called me on the telephone and gave me an order that lasted about 45 minutes. The remarkable thing was that I didn't make an error, even though I never had written an order for that product before.

How big an order was it?

A couple of hundred thousand bucks. It took a lot of writing.

I understand you don't write memos. Why is that?

I have a telephone, and I have a loud voice. One or the other handles it.

What would I want to write a memo for? If I want a new policy written down, somebody else writes it. You know, opening your mail and getting a thousand directives signed by the boss is a lot of hay. When you use the phone, it's done—or at least you hope it's done.

Isn't it true, though, that if a directive is clearly written out, there is less opportunity for misunderstanding?

Oh, if it's something complicated, it will be on paper. But I don't write it.

What is the toughest decision you have had to make in business?

That's a good question, but I can't answer it specifically.

I think the toughest decisions involve requests for projects requiring capital expenditures. It's tough to say no to people who work for the company—people who are very aggressive and do a good job—when the no or the yes is somewhat marginal.

Have events sometimes proved that you made the wrong decision?

Hell, if I hadn't made bad decisions, the company would be ten times larger. Nobody makes all the right decisions. You hope you minimize the wrong ones.

What is the best decision you have made in business?

Well, again, I can't answer that specifically. The best decisions probably have been choosing fine guys to run the company. Very talented people are working here.

If you had it to do over again, is there anything in your career or your life that you would do differently?

Sure. I would have ten kids instead of two, because they are the greatest thing in the world for a family.

There isn't anything else I would want other than to be thinner and not talk so much.

What advice would you give to a young person who wants to succeed in business today?

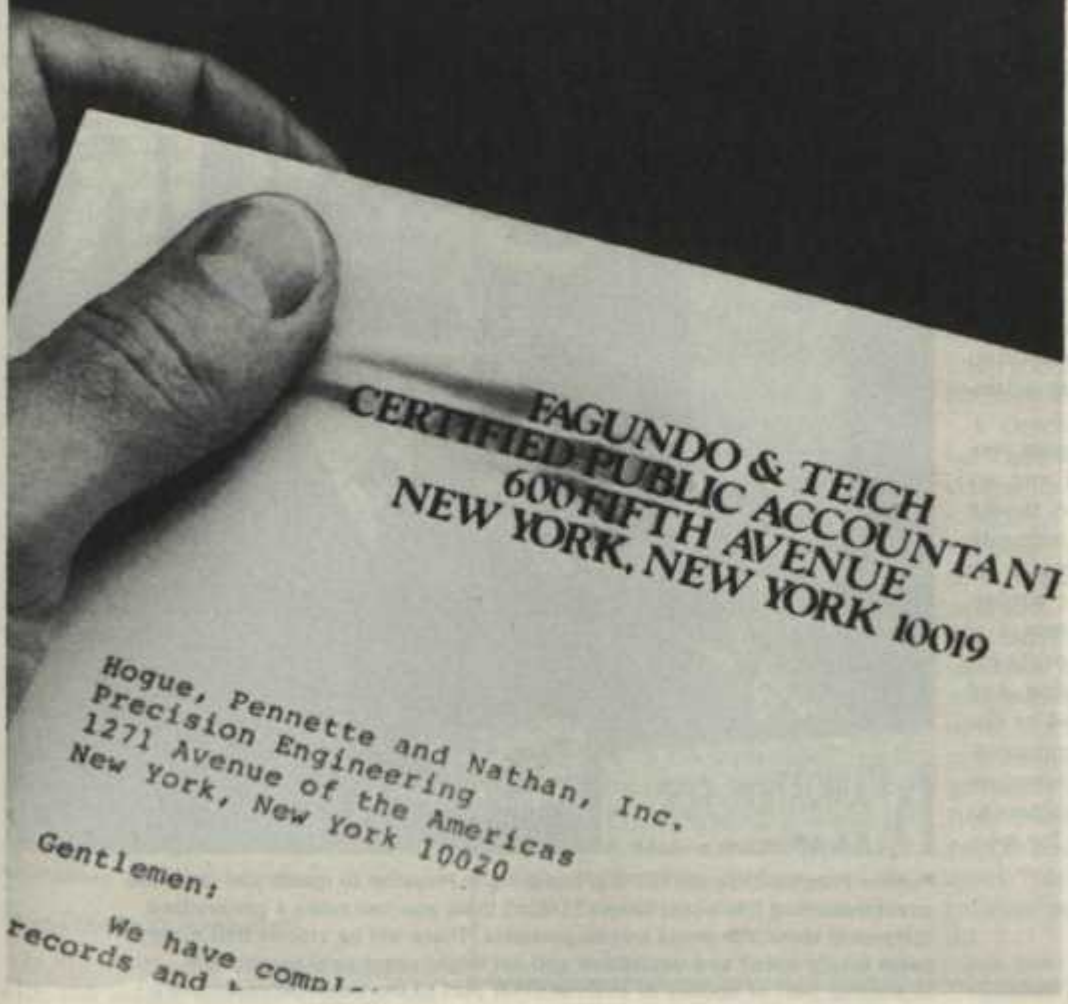
Get as much education as possible—which I never did and regret.

Also, be honest and work hard.

Let me tell you: If the guy sitting next to you works 12 hours a day, you work 18, because that's what it takes to get ahead. Make enough calls so that you are going to get a sale. Do enough work, and you are going to be successful. □

To order reprints of this article, see page 38.

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Business and the Media:
How to Get Along

There have been many recriminations between business and the news media. Now efforts are increasing to shift from confrontation to cooperation

THE CORPORATE executive leaned forward in his chair and jabbed a finger in anger at a panel of four radio news executives:

"You guys are judge and jury," he charged.

He was voicing a growing complaint of business—that the media are often unfair in news coverage of its activities.

To counter this belief, business people are becoming more vocal and active in demanding that the media correct errors and in meeting with editors and other media executives in an attempt to provide a better understanding of each other's problems.

The seminar where the corporate executive spoke out was in Houston, and it was one of a series sponsored by the Foundation for American Communications. In these meetings, top newsmen and businessmen state the problems as they see them and offer ideas for solutions.



Former President Gerald R. Ford, speaking in Houston to media and business executives, had this observation: "I don't think you can make a generalized statement about the press and be accurate. There will be stories that might seem totally unfair and unjustified and yet might seem very appropriate to another part of society or even another part of the business community."

Unfair or unfavorable

Where business complains that the media are unfair, the media counter that business often cannot distinguish between an unfavorable news story and an unfair one.

Where business complains that the media are too often ill-informed about economic matters, the media counter that business too often is unwilling to explain its actions fully.

Complaints about too aggressive and sometimes shallow reporting are not confined to business. Government and labor unions also gripe frequently.

White House Press Secretary Jody Powell says President Carter plans to take his views directly to the public at every opportunity.

"The press," he told NATION'S BUSINESS, "has its own institutional problems and pressures that don't always allow or encourage an accurate and balanced presentation of the workings of government." He added: "Business has the same problem of getting across an accurate, balanced presentation of what goes on in business."

The crux of the problem, as some in

the media see it, is that economic news has jumped off the back pages and onto the front pages. Business, the media say, isn't accustomed to this type of exposure.

The entwinement of government action with business and the impact of this action upon the overall economy has added to the increased newsiness of business.

Business contends it has no complaint about objective reporting of its activities, good, bad, or indifferent. It does complain about unfairness in today's "advocacy journalism."

Generally speaking, reporters once were supposed to be only mirrors, reflecting what they saw happen, heard said, or read. "Objective journalism" was the term often applied to this type of reporting.

Advocacy reporting increases

In advocacy journalism, reporters express a point of view, often playing down or ignoring some developments at the expense of others. This form of journalism has increased in recent years and in the opinion of many editors will continue to increase.

The media claim the trend is a natural result of the increasing complexity of the news, coupled with events of the 1960's, when established institutions began to decline in public confidence. The Vietnam war and Watergate, say many in the media, contributed heavily to this decline as distortions and untruths surfaced.

Business is among the institutions which have been tarred. Only eight percent of the public registers high approval of business, says Harry O'Neill, executive vice president of Opinion Research Corp., and 66 percent registers low approval.

"Seventy-six percent say that business has neglected many of society's problems," he adds, "while 69 percent feel that business has an obligation regarding those problems, even at the expense of corporate profit."

More critical approach

In the matter of business relations with the media, another Opinion Research Corp. survey shows:

"Whether business welcomes it or not, the so-called advocacy journalism is a gradually growing movement and is spreading in all types of media. Older editors who have been in the business for many years see advocacy journalism as a negative influence. But the new generation of editors in their twenties clearly views critical reporting as having a positive influence on business journalism."

Arthur Ochs Sulzberger, president and publisher of "The New York Times," last year told the Economic Club of Detroit that press coverage of business had changed and was still changing. "A more analytical, more skeptical, sometimes more critical approach is being taken," he said.

There does appear to be one area where both business and editors agree: how well the media cover business news.

Dr. Roger Kahle, associate dean of Boston University's School of Public Communication, has surveyed media and business executives on the subject of coverage. His results are reported in "Big Business and the Mass Media," a

WHAT TO DO WHEN THE REPORTER QUESTIONS YOU

Until his retirement at the end of 1977 as president of Jefferson Pilot Broadcasting Co., of Charlotte, N. C., Charles H. Crutchfield was a constant thorn in the side of network television.

Mr. Crutchfield, whose career as a radio and television journalist and media executive spanned more than 40 years, had gained a reputation for blasting away when he felt that the media was unfair to government and to business in particular.

Now he heads a new firm, Media Communications, Inc., of Charlotte. One of its services is to prepare business executives for their dealings with the media.

Since he has worked both sides of the street, so to speak, NATION'S BUSINESS asked Mr. Crutchfield for some basic do's and don'ts.

Here they are. If you keep them in mind and adhere to them, he says, you will have gone a long way toward seeing that you and your company get a fair shake in the media.

Five basic do's

1. Be prepared. Know your subject thoroughly. If you don't, you can be embarrassed. Anticipate the reporter's questions.

2. Be yourself, be open, and above all be honest. Phoniness is magnified many times over, especially on television. Don't twist the facts, even a little bit. A half-truth is also a half-lie. It is imperative that you establish and keep your credibility.

3. Be brief. Formulate in your mind the answer to any foreseeable question. Put the important points up front. If you don't, your major points may be edited out. Use understandable English. Neither the reporter nor the public can be expected to be familiar with technical jargon.

4. Before the interview, ask the reporter what general areas will be covered, but not what specific questions will be asked. If you flub in responding, ask the reporter to stop the interview so you can answer from the beginning.

5. Consider hiring a communications specialist, if you don't have one, who knows and understands the media. Practice with the specialist and let him or her critique you. Practice until you are as comfortable with a reporter as you are with your own associates.

Five basic don'ts

1. Don't try to be funny. Odds are that attempts at humor will backfire. Play it straight and play it natural.

2. Never say, "No comment." If you can't answer, explain clearly why you can't. For example, you can't respond because of competitive reasons.

3. Don't lose your cool. If you do, you're likely to flub badly. Some reporters will try to get you off balance. Keep your composure, no matter how difficult that is.

4. Don't wear loud ties, bold plaids, herringbone, or houndstooth-pattern clothes for a TV interview. Lights and reflections can play havoc and detract from what you are saying. And don't hesitate to use makeup. The pros do it.

5. Don't raise a ruckus if you feel you have been misquoted or otherwise unfairly treated. Go calmly to the editor, not the reporter, and set forth your complaints. Ask the editor to talk with the reporter and get back to you. Treat the media just as you would treat a business associate—with respect. There is no way you can win by browbeating or antagonizing the media.

PHOTO KATHLEEN SUMMERS



Noting that media-business relations are sometimes frayed, Benjamin C. Bradlee, executive editor of "The Washington Post," observes: "I suspect we all should treat each other without passion—gently and at arm's length, like porcupines. And with a certain respect and understanding that probably the general welfare will be best served if we don't get too close to each other."

NBC's Tom Brokaw (below) says Watergate caused part of the problem. "Today publishers and editors are too quick to react so they won't get caught flat-footed," he says.





To improve coverage of business news, networks such as his have added to staffs, says CBS Senior Vice President William Small.



The viewers' short span of attention is a major factor in TV news, notes Washington's WTTG newscaster Karna Small (above). So stories must be told in a matter of seconds.



Media-business relations are not nearly as fractured as they could be, says Dr. Roger Kahle, of Boston University.

new book edited by Dr. Bernard Rubin of the university and published by D. C. Heath & Co., Lexington, Mass.

Coverage only so-so

Dr. Kahle asked the media: "In your opinion, do the media cover business well?" The response:

Very well — 7 percent.
Fairly well — 43 percent.
Not well — 43 percent.
Poorly — 7 percent.

Then he posed the same question to business executives. The response:

Very well — 13 percent.
Fairly well — 48 percent.
Not well — 17 percent.
Poorly — 22 percent.

The results of his survey, Dr. Kahle says, are not significantly different than those of other surveys on the same subject. For example, a survey by Opinion Research Corp. contained a similar question for editors. The tabulation:

Very well — 7 percent.
Fairly well — 60 percent.
Not very well — 28 percent.
Not responding — 5 percent.

Time is key factor

The Houston seminar and others similar to it pinpoint a factor which causes a great deal of misunderstanding between the media and business news sources—time.

The four radio news executives in Houston tacitly admitted that they were judge and jury because of the pressure of time. Their stations are all-news stations. In all-news radio, they said, deadlines are measured in minutes.

In their defense, they voiced a common complaint—lack of responsiveness on the part of business. At a similar seminar conducted also by the Foundation for American Communications in Washington, radio news executive Ed Dorsey said: "We have problems with business executives. They always disappear when there is a problem."

Not all do, of course. Many firms have a designated spokesman who is immediately available to handle press queries. With the emphasis on time, especially in radio and television, speed of response grows more important.

Say it short

In addition to complaining that business is slow to respond to queries, radio executives emphasize what they say is a lack of understanding of the limitations with regard to usable material. A standard plea from radio newspeople is: "Tell it so we can use one sentence or less."

Such rules irritate business executives, and as a result many view radio news as something to avoid. But when adverse stories break, such as a disaster at a plant, the telephone is going to ring insistently with calls from radio newspeople.

All-news radio has an insatiable hunger. Frank Barnako, director of news and public affairs for NBC radio in Washington, cites these figures to make a point—about 350,000 words are spoken on an all-news station every 24 hours, the equivalent of reading six novels at a fairly rapid-fire pace.

While not as voracious as all-news radio, television has a growing appetite for news. Because TV, too, deals essentially in headline news, a business story that rates nearly a column in a major newspaper may only command a single sentence on a national evening television news program.

A major complaint by business is that many minutes of filming that take valuable time from an executive's busy schedule wind up mostly on the cutting room floor. After some bad experiences of this type, it is not unusual for top corporate officials to summarily reject requests for filmed comments.

No simple answers

But CBS Senior Vice President and Director of News William Small advises: "You're much better off to present your president or vice president to give your point of view. Odds are, you'll come out a lot better."

Television recognizes an inadequacy on business news. NBC "Today Show" host Tom Brokaw told the Houston audience: "Business gets the most ineffective coverage of any segment of our country."

This is a troubling fact, for television is the key news source for most Americans. An estimated 50 million watch the nightly network news. It is estimated that the average American spends 2,000 hours a year viewing TV and ten hours a year reading a book.

And some television journalists recognize the restraints imposed on business. NBC's Mr. Brokaw says: "The media sometimes press too hard for the simple answer when there isn't a simple answer."

But Houston TV newsman Larry Weidman warns: "If you say, 'No comment,' you are not taking part in the news story development. And a delayed response creates suspicion. You must expect that, in a competitive situation, the media are going to go ahead."

Trying for change

Business concedes it has faults. The executive who accused the radio news editors of being judge and jury admitted there were often internal roadblocks to responding quickly to a press inquiry.

"There are people who are advising the chief executive officer not to say anything, while at the same time the public relations staff is arguing for more disclosure," he said.

CBS news executive Small says his network is trying to rectify business-news coverage deficiencies. He says it has strengthened news staffs. The other networks, too, have increased economic news coverage.

Heed criticism

Local television's business news, though, continues to be spotty. Many programs make the closing stock quotations their only regular story.

Newspapers have reacted positively to criticism from business, as well as from other segments of the society. Many have appointed ombudsmen to take a critical look at how they are reporting the news and are printing what the ombudsmen have to say. Also, newspapers and, to some extent, television and radio are increasing the use of letters to the editor.

Universities have reacted to the complaint of business that too many business reporters know nothing about business. Princeton, Columbia, and Missouri, among others, are offering expanded economic courses to journalists.

Benjamin C. Bradlee, executive editor of "The Washington Post," told the businessmen at the Houston seminar:

"I'm sure that the press has not had enough respect for business, and I am even more sure that has been true coming back the other way. Respect for one's opposite number is in one's self-interest."

Be more open

Bill Hartman, immediate past president of the Texas Daily Newspaper Association and president of Hartman Newspapers, Inc., urged business to be more open with the media.

"When was the last time you visited with a reporter before you had a problem?" he asked.

That business and the media each

LEARNING BY EXPERIENCE TO HANDLE THE MEDIA



Flatiron Companies Chairman Harold H. Short is on camera at a mock press conference in the National Chamber broadcast center.

If your company or association is a member of the Chamber of Commerce of the United States and you want to hone your skills in meeting with the media, a team of experts will take you through a concentrated two-day communications workshop at National Chamber headquarters—provided you have a thick skin. The treatment of participants can be rough.

Bob Adams, the National Chamber's director of broadcasting, recalls the day when a top business executive who was attending a workshop was being subjected to a mock press conference by other participating executives. The executive being questioned grew increasingly angry.

Finally he turned to his inquisitors and exploded. "I can't believe this," he said. "This line of questioning is false." With that he sat down and refused to continue.

Later a videotape of the press conference was played for him, and he said he had learned an invaluable lesson on the need for keeping his composure in real-life contacts with the media.

He was one of many business people whom the workshops (fee: $375) have helped deal with the press, radio, and television.

Some have been helped in new endeavors. One executive who came announced he was going to be a gubernatorial candidate. He brought his wife along to monitor the workshop because one of her future jobs was to be a critic of his campaigning.

"We found that he was able to project a better image by taking off his glasses," says Mr. Adams.

The quality of instruction in the workshops is improved by use of the National Chamber's extensive broadcasting center facilities.

Little time is devoted to lectures. The workshops are conducted by two experienced professional broadcast journalists, Virginia Sherwood, former national correspondent for the ABC network, and Mr. Adams, a veteran producer and director of programming and production for WRC-TV, the NBC-owned affiliate in Washington.

Thus far, executives from such firms as American Can, Armco Steel, Bristol-Myers, General Motors, Marine Midland Bank, Pittsburgh Plate Glass, Raytheon, and Southern Railway have attended the workshops. Associations such as the National Coal Association have also sent executives, many of whom regularly face the press.

In the past, workshops have been a blend of executives from more than one firm or association, but the National Chamber is now offering a specialized format for executives of a single corporation or association. The workshop sessions are tailored to meet the specific media needs of the organization. And, if needed, there is a concentrated one-day course.

Extensive use of videotape is made. The students are critiqued immediately. "They can see themselves as others see them," says Mr. Adams. For some, he says, this is quite a jolt.

In the two days of sessions, an executive learns how to respond to the press, both hostile and friendly; how to effectively use eyes, body, and voice in communicating; how to capture and hold the ear, as in the case of radio, and how to develop a positive attitude needed in meeting with the media.

The payoff, says Mr. Adams, is extensive: "They are able to do a better job on camera and to apply this knowledge to platform appearances. They are able to deal with a host of different publics and situations."

End products of the workshops, he says, are communicators, not just speakers.

recognize the importance of a better understanding is evident in the number of meetings being conducted to bring this about.

The Chamber of Commerce of the United States joined with American University and the Foundation for American Communications to sponsor one meeting in Washington. The Houston meeting was a joint affair of the foundation, the University of Houston, the National Chamber, and the Houston Chamber of Commerce.

Similar seminars sponsored by the foundation and others this year are scheduled in Los Angeles, Atlanta, Chicago, Pittsburgh, Philadelphia, Seattle, New York City, Detroit, Dallas, and again in Houston.

Dr. Carl Grant, National Chamber vice president for communications, says that "the time is long overdue for better understanding, not more confrontation."

Everything is economics

To help businessmen in their relations with the media, the National Chamber offers a short, intensive course to executives who might be called upon to act as company spokesmen.

Because economics plays such an important part in almost every aspect of society today, both business and the media know there is going to be continuing and increasing interest in economic news.

Business and the media seem to be seeking ways to better understand how each performs the role for which it was intended. And each should benefit. □

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PHOTO: IVAN MASSAR—BLACK STAR

A trout fisherman wets a fly in one of the clear, cold streams that trout particularly relish.



PHOTO: ARI





A happy fly fisherman pulls a 24-pound brown trout from Flaming Gorge Reservoir on the Wyoming-Utah border. The fish was caught with an orange-bodied woolly worm, a wet fly. Shown above are two popular dry flies made by the Orvis Co., Royal Coachman (left) and Deer Hopper.



The smallest muskellunge that Jim Riegor (right), director of marketing for Evinrude Motors, caught on a two-day fishing trip to Deer Lake, Wis., was a 14-pounder. His biggest "musky," a pike that goes up to 69 pounds, weighed 24.



Getting Hooked on Fishing

By John Costello

TAKE A TOUR of the U. S. A. through the eyes of a fisherman.

Up north, you are in the cold-water territory of trout.

Head south, and you are in the bastion of bass.

Get down near the Gulf, that's catfish country.

That's how a veteran angler paints the scene. But like other generalizations, it fuzzes up some details.

For instance, in Missouri, 600 miles up from the mouth of the muddy Mississippi, catfish are often considered a delicacy, well worth the trouble of wetting a line.

Furthermore, fishing is an unrolling drama, with many acts, subplots, and changes of scene.

Float fishing for goggle-eye on the Ozarks' Current River, for example, is the delight of some connoisseurs.

To others, trolling for Kamloops trout in Idaho lakes, like Pend Oreille, is the acme of game fishing.

Some would opt, instead, for fly fishing for 30-pound steelheads in the Babine River of British Columbia.

Then there are the legions of bank fishermen.

They, as one of that vast fraternity puts it, prefer to "hunker down beside a muddy stream and toss bait and bobber into the current."

UNCLE SAM, or more specifically, his nephew the U. S. Fish and Wildlife Service, says that nearly 54 million Americans are anglers. Sixty-nine percent of them—37.2 million—are men.

A 1976 Sindlinger report says fishing ranks No. 1 as the participant sport for men and No. 2, second only to swimming, for women.

Anglers spend a lot of money. This year, boat owners, most of them anglers, will lay out some $5.9 billion on new and used boats, accessories, and other related expenses, including club dues, the Boating Industry Association estimates.

Outlays for fishing equipment, rods, reels, spoons, spinners, fly-rod poppers and other lures now run about $550 million annually, the American Fishing Tackle Manufacturers Association says.

What do anglers get for it?

A lot of fun, exercise, and scenery.

Not to mention millions of fish. In fact, maybe hundreds of millions, though no one knows how many. There's no creel survey of the total catch from the country's millions of rivers, streams, lakes, ponds, and reservoirs.

SOMETIMES business keeps Donald J. Kelly away from his first love—fishing.

Don, who is president of the New York Athletic Club Anglers, Inc., wanted desperately to go to Islamorada, in the Florida Keys, to fish at the end of this month.

He won't. He's a senior account executive with Merrill Lynch, Pierce, Fenner & Smith, Inc., in Manhattan, and two of his clients are holding annual meetings that he will have to attend.

"That," he says, meaning business, "comes first."

But there's a flounder trip up in Quincy, Mass., for members of his anglers club.

"I'll be in on that," he says.

"Also a bluefish trip in South Jersey, and a striper derby in Montauk. And I'm probably going to make the light tackle tournament in Brazil."

Some club members are going all the way to the Great Barrier Reef off Australia this fall to fish.

"We're addicts, you know," Don Kelly explains.

Don, who is 245 pounds and six-foot-three, and who loves the challenge of a strong fighting fish on a light line, won't be with them. He'll be freshwater fishing.

"I do more freshwater fishing than most guys in the club," he says. His favorite spot for that is the Thousand Islands in the St. Lawrence River—he'll go there this fall—or upstate New York.

Outings to the islands are a family affair.

His wife goes along with him, as well as seven-year-old James, six-year-old Kathleen, and Valerie, two and a half.

"The first things they pack," says Don, "are rods and reels."

SKIP DUNN and his wife fish together, too.

His name's Noel, "but no one calls me that." Mrs. Dunn's is McChesney, but her friends bobtail those three syllables down to Chess.

One of the best places they've fished is Slough Creek in Yellowstone Park. Skip, Chess, and three other couples were there just a few years ago.

"We left in the last part of August," Skip says, "and the temperature was 100 when we flew out of Winston-Salem."

Skip Dunn is a partner in the Pilot Insurance Agency in that North Carolina city.

"The next morning we went over Daisy Pass, 9,430 feet high, on horseback with a six-mule pack train. It was eight above zero and snowing."

Headed downhill toward warmer country, they camped out and fished Lake Abundance, Lake Creek, and then Slough Creek—mostly for cutthroat trout.

"The scenery," Skip recalls, "is magnificent. Big, craggy mountains, and the lower valleys filled with aspen trees. At the time of the year we were



Dick Kotis (right), president of the Fred Arbogast Co. and the American Fishing Tackle Manufacturers Association, shows some big bass he caught in Florida.

there, the colors were just incredible—multicolored, tremendous reds and golds."

That's one of the great things about fishing for a businessman, he believes. "It's extremely tranquil, and it combines a great deal of physical exercise.

"All day, you're battling a stream that's coming at you. You're fishing upstream and fighting the current and the rocks. Even though it's very light, casting a fly rod from sunup to sundown can make a martini taste pretty good at the end of the day."

ANGLING also seems to sharpen the memory.

Ask Jack L. Adams what he did on June 21, 1977, for example.

You won't find him fumbling for an answer.

That was the day the ex-Arkansan, now president of his own prosperous Ventura, Calif., real estate firm, caught a four-pound, two-and-a-half-ounce bass at Lake Casitas.

You can't stump him either by grilling him on the events of June 23. It was then that he pulled in an even bigger beauty, hitting the scales at a little more than four pounds and a half.

He hopes to do better this year.

Lake Casitas is 25 miles away, a 25-minute hop, skip, and jump by car from his Ventura home. It's one of the two places he likes to fish best.

The other, Lake Crowley, is up in the high, scenic Sierras.

Is a guy proud of landing a big one?

"There's no feeling like it," the California real estate man says, "if you're a fisherman."

FISHING has blessed Ruby Winters, too, with the power of photographic recall.

She and her husband, Bill, own Winters Marina on Gunnison Creek in Satsuma, Ala.

Ruby knows to the inch where she caught her first fish.

"It was about three bends down the creek from the marina, one day in May, 1971, right after a thunderstorm."

That stormy day was a turning point in her life.

Before then, she never fished a lick. Since then, she has been at it three or four times a week.

At least she was, until Bill was elected mayor of their Alabama town—pop. 2,035—in 1976.

"That kind of cut me back some," she says.

"I have to watch the place"—a big marina with stalls for more than 60 boats up to 14 feet long—"while he's out politicking."

WHETHER you go for bass, like Ruby Winters, or mostly fly fish for trout, like Skip Dunn, it takes skill and cunning to outwit the prey.

Tom Bankhead, executive director of the Bass Research Foundation, sums it up like this: "Fishing is a lesson in futility, with a little humble pie thrown in."

GARDNER L. GRANT, president of the Federation of Fly Fishermen, is a close student of the finny tribe.

The Yale grad and Harvard M. B. A. has his own firm, Gardner Grant Co., that invests in real estate and manages it.

Some time back, he invented those toll machines you toss coins into on bridges, in toll tunnels, and on turnpikes. He sold a firm that made the machines, Grant Money Meters Co., to what is now Automatic Toll Systems.

"To me," he says, "the thrill in fly fishing is being able to tie a fly myself that represents an insect the fish are feeding on.

"Then, there's a fascination to having some understanding of what the life-style and the life cycle of the trout is—the food supply on which they feed and the habitat on which they depend."

Do you have to know all that, he is asked, just to catch one?

"That's part of it," he insists. "Knowing the fly and the fish and fooling the fish into thinking the fly is something he wants."

Like many fishermen, Gardner releases everything he lands.

"Fishing," he says, "is the one kind of sport people might call a blood sport where you can have your cake and eat it, too."

KNOWING how that fish thinks may be as important as knowing his life-style.

Gary L. Wilson would say it is.

He likes to fish the phosphate pits in Mary Holland Park in Bartow, Fla.

"These are big, old holes in the ground, left by the mining companies," he explains. "Some are 50, 60, 70, 80 feet deep. They're ideal for bass.

"A lot of times, a big, old bass likes to get down in deep water. And there's lots of food for them in these pits—shiners, minnows, just all kinds of freshwater fish."

Bass food can include other bass. "The bass is a cannibal," Gary says. "I've seen bass, seven or eight pounds, that will attack a bass that's about a pound and devour it."

Gary, an installment loan officer with the Citrus and Chemical Bank in Bartow, knows how a bass's mind works.

"It's real interesting to fish for them," he says.

"I've thrown in the same hole as

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many as ten times before I'd get a strike. And the only reason I kept throwing is because I had a pretty good idea the fish was in there.

"You see them break water occasionally, or run a shiner up on the bank. Or maybe you got a bite there a week ago. And you just have a feeling, you know, that the fish is there.

"So you keep tempting him, tempting him, tempting him.

"A bass, you make him mad, he'll strike.

"You just keep throwing at him, throwing at him, throwing at him, and he's going to get aggravated.

"It's sort of like a dog that's sleeping.

"You walk by and step on his tail, and see what you get—whether he's hungry, or not."

THE U. S. Fish and Wildlife Service says most anglers are pan fishers. It puts 27 million in that category—mainly fishermen who sit patiently, often in a blazing sun on shore or in a rowboat, with a worm on the hook, hoping to land the small, tasty fish that fit so well into a frying pan.

Then come the bass fishermen, about 16.5 million strong, who cast in warm waters. Anglers who work cold water, seeking trout among other fish, number about 18.4 million, the service says.

CHARLES D. (Chuck) Lewis, president of Copper Mountain Resort in Colorado, is among the latter.

One of his favorite places to fish is Lost Lake, about 11,500 feet above sea level, some seven miles from Copper Mountain.

There's only one way to get there—on foot.

"You go over Uneva Pass," he says, "into some very 'high circ'—high mountain valleys, normally round, that have had some glacial activity in the past. Early in the season, you see lots of elk signs, deer, and occasionally mountain sheep."

The trail doesn't open up, or the ice get off the lake, until late June. But for almost four months, July till mid-October, the trout fishing is as good as the unspoiled scenery.

PAN FISHERMAN Donald S. Hencke, a commercial artist and art teacher who lives in Land O' Lakes, Fla., is a canny, transplanted Missourian who knows how to pole fish.

He used to practice the art on the Merrimac River in Missouri and on the Mississippi.

"We'd take a cane pole, 14 to 20 feet of line, a small barbed hook, some split-shot sinkers, and a swivel with chrome or silver spinners," he says. "We'd bait the hook with minnows.

"We'd go up and down the bank, working the channels where there's lots of brush and logs.

"You take that cane pole and work it in between the brush and logs. You bob it up and down, and the fish see the spinners, which attract them. Then they see the minnows, and they bite.

"You can catch a lot with a cane pole."

BETWEEN fish and fishermen may be a rapport that's deeper than either realize. An old fisherman's story illustrates the point:

Joe and Bill, two fishing buddies, are working opposite sides of the same boat. For the first time in Bill's memory, Joe is really scoring while Bill is completely striking out.

It makes Bill a little mad.

So he begins to observe carefully just where Joe is casting his line.

Next day, Bill comes back to the same place, alone.

He drops his line in the water where Joe was pulling them up hand over fist a day earlier. No luck.

Then a big fish surfaces, looks Bill in the eye, and demands rather angrily:

"Where's Joe?" □

THE BOTTOM LINE

By Jack Lorenz

Executive Director, Izaak Walton League of America

The bottom line when planning your fishing trip is getting a good line on the bottom.

Almost every angler prepares for a rapid change in the weather (Excuse No. 1) or a "you-should-have-been-here-yesterday" deflator that may be reverberating around the dock.

Yet, far too many anglers seemingly go out of their way to dramatize the fact that ten percent of the fishermen catch 90 percent of the fish. They assume that, if it is wet, it holds fish.

Not so. Gamefish are seldom found far from food and cover. There are relatively few areas in any lake or stream that provide both food and cover in just the right combinations to assure a self-respecting bass, trout, or pike a comfortable home.

Smart money says either to get yourself a good guide—usually at a fee of $35 to $75 a day—or to make friends with someone who frequently fishes the area you plan to visit and catches fish there.

Saving those two choices, the next best thing is to read such treatises by fine fishing writers as:

"Through the Fish's Eye—An Angler's Guide to Gamefish Behavior," by Mark Sosin and John Clark, Harper & Row.

"Fishing For Bass," by A. D. Livingston, J. B. Lippincott Co.

"Fishing With Lee Wulff," edited by Edward C. Janes, Alfred Knopf.

Reading these three books not only will prove educational, but will make the fishing more enjoyable.

Those who fish impoundments for bass will find the reading of a good book can be complemented by the reading of topographic survey maps that show the contour of terrain prior to the time the reservoir was filled. Such maps, available from the U. S. Geological Survey distribution offices, are excellent guides to fish comfort zones. Drop-offs, points, reefs, and old creek channels can be easily identified in advance and located from a boat once you are out on the lake.

Information about maps can be obtained from the National Cartographic Information Center, U. S. Geological Survey, National Headquarters, Reston, Va. 22092.

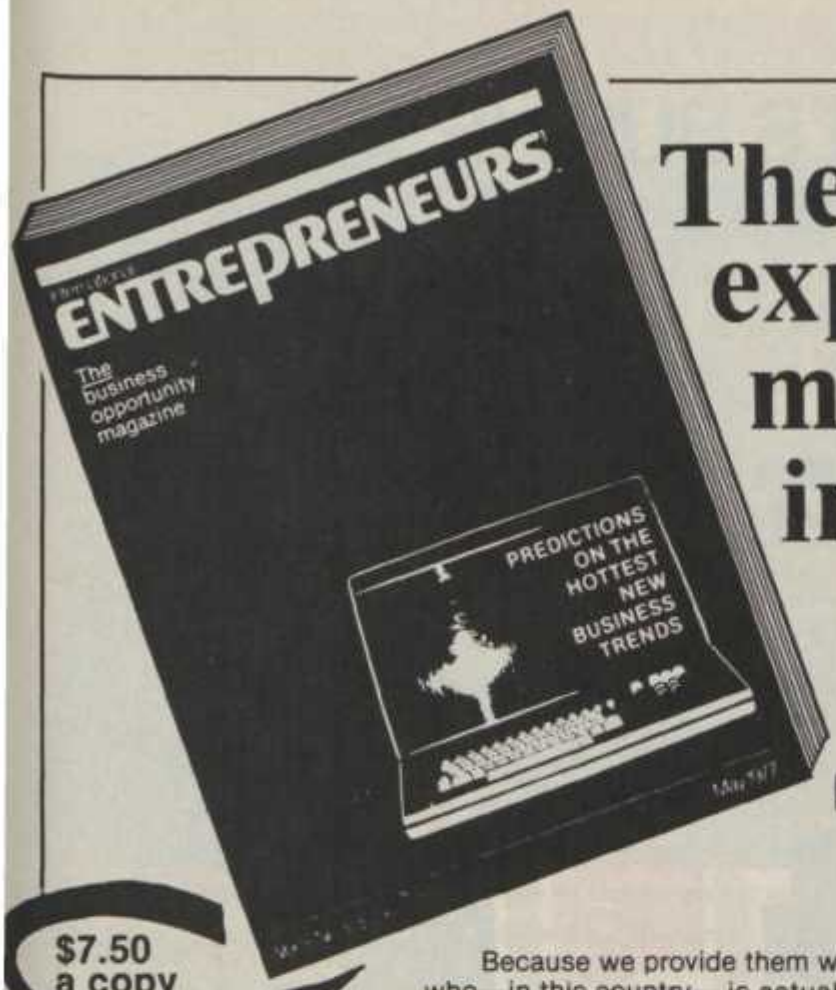
If guides, books, and contour maps are too much bother, there's always instinct.

Just remember, fish are a lot like people, only wetter. They prefer good, quick meals served in a secure, comfortable spot.

Perseverance, common sense, and patience catch an awful lot of fish, but knowing the habits and habitats of fish is what most often puts an angler in the top ten percent of the class.

Above everything else, each of us should pay more attention to water quantity and quality. All the cover in the world won't make any difference if the water is uninhabitable.

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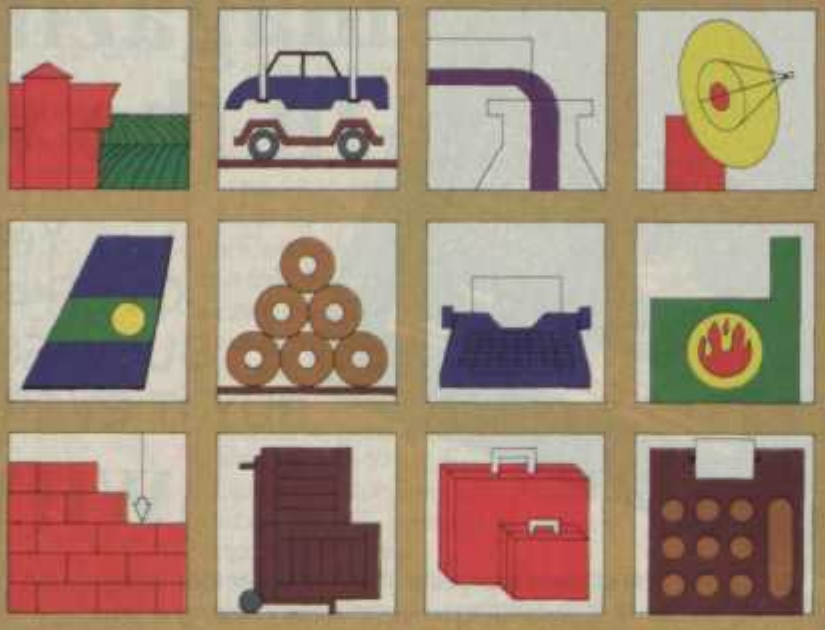
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Colin Browning designed trusts that put the many on common ground with the few.

Middle Class Gets Privilege of Wealth

Colin A. Browning is the kind of man who inspires trust in everyone he meets. His latest inspiration is a technique designed to allow the middle-class masses to set up personal trusts, just like the wealthy few.

"The trust industry was originally conceived for the very rich," says Mr. Browning. "A personal trust has always been a custom-designed vehicle. Each one is different from any other. A quarter of a million dollars was almost too little to start a trust with—it became too costly to administer in terms of return on investment. Nobody had thought of the little guy."

Colin Browning has. Mr. Browning, who is executive vice president of New York's Schroder Trust Co. and has made the trust business his life's work, has devised what he calls an Opportunity Trust.

"Because every trust is unique, there is a high fixed cost of administering it, usually one half of one percent," he says. "We had to figure out how to streamline the costs and package the product."

First came market research—no sense spinning your wheels, says Mr. Browning. "The person we are targeting for this service has made his own wealth, not inherited it. Characteristically, he wants to retain control of that money. The Opportunity Trust allows him to control his investment. This sort of person is not eager to make a killing—he wants to protect his capital, and, of course, he is looking for tax advantages."

How many people would want to establish a trust? "Well, we don't have the right-now figures, but there are about five million people over 50 years of age who have $100,000 or more in wealth. Then there are five million more of all ages with upward of $60,000 in assets.

"The Opportunity Trust is viable down to an investment of $1,000, but we recommend a minimum of $10,000. You have at least ten million people with at least $60,000 and other millions with $10,000 to $60,000, so you are talking about many millions of people. Yet today, the trust industry serves only 1.2 million personal trust accounts."

The operation of an Opportunity Trust is as elementary as the wheel.

An investor goes to a bank or savings and loan association with his attorney and fills out the standard forms, provided by Schroder. The investor chooses how much money he wants to put into savings accounts, certificates of deposit, and a common stocks fund that is based on the Standard & Poor's 500 Index.

Schroder takes care of all the bookkeeping, the annual statements, and other details of the account for its client banks and S & L's, although the name Schroder never appears on anything the investor sees. The fee to the investor is $190 a year, no matter the size of the investment.

The service was introduced about six months ago. "We have one client in New Jersey already offering the service," says Mr. Browning, "and we have had more than 400 requests for information. I know this trust vehicle will become popular. It's sort of like the Model T of the trust industry." •

Brothers of Invention

Kenneth Sherman's resemblance to his brother Lawrence is only skin deep. The two are identical twins, but their roles in the Cambridge Research and Development Group are fraternally individual.

"Larry's the bottom line man, and I'm the social conscience," says Ken, the more talkative twin. "We are as close as two people can be, yet we are also very different. Larry relies on me to take the larger view, and I rely on him to look at the financial picture. In our business, we complement each other."

The business, located in Westport, Conn., was created 12 years ago to help inventors manufacture and market their inventions. But after a few frustrating years of licensing products to large corporations that then shelved them, the twins decided in 1974 to exploit a select inventory of inventions themselves.

"When you are dealing with a thing that has not been made before," says Ken, "Murphy's Law is the one certainty. Absolutely everything that can go wrong will."

For example, the Skipsy Doodle, a playground action toy that challenges children's ingenuity. The first model was made of wood and weighed 18 pounds—too heavy for a child to lift but heavy enough to hurt hands and feet. So the brothers decided to make it in fiberglass. They did, and it weighed 18 pounds. The reason: resin used to bring the fiberglass to the necessary strength.

"We go down a lot of blind alleys,"



The Shermans have something in common.

says Ken. "The problem is that we don't know what we have to be expert in until we take on a product to develop."

The brothers look at hundreds of inventions each year but select only the one or two that meet stringent criteria. "The invention has to be more than just an idea," says Ken. "Does it fill a genuine need? Can it be patented? Is it unique? Can it be made economically? We would rather miss the world's greatest invention than take on a loser."

Cambridge's successes so far include a Memory Dose pill dispenser, in which pills pop up in a date-time window; a Variable Speech Control system, which speeds up or slows recorded speech without distortion; and a drill that uses water pressure and a high torque turbine to break through six-inch concrete walls in a minute and 40 seconds.

The drill was invented by a former firefighter to be used against inaccessible blazes. It can be affixed to any of the nation's 50,000 front-line fire engine pumpers, as well as those in reserve.

"Its operation is amazing," says Ken. "Firefighters now have to break down walls to get to hidden fires. That can take a long time, and while the firefighters are working, the fire is burning.

"With this drill, they go through the wall quickly, turn a valve, and water courses through. Then, poof, the fire goes out. It's a whole series of chemical reactions involving heat and steam and gases that brings oohs of wonder from the fire officials who have seen the film we made of test fires."

What happens to the inventor who teams up with the Cambridge Research and Development Group? First he finds a mecca in a company that Cambridge will help establish to develop his invention. Then he gets a down payment—one was for $250,000. He also shares the proceeds from a long-term note which is paid from profits the company makes. Eventually he does lose the rights to his invention, but by that time, if all goes well, he is a multimillionaire.

To market the drill, Cambridge raised $2.5 million from private investors who become limited partners in the new company. "They expect to start shipping the drill in a few months," says Ken. "Which is right on schedule. The drill will sell for under $2,000, which allows the 50 to 75 percent margin needed for developing, manufacturing, and marketing it.

"When the drill company was set up, we found people to manage it who were skilled in the field. The company president's salary is $72,000 a year, the same as he got selling fire protection systems. There aren't too many inventors who can afford to pay a man $72,000 to market their invention." •

New Item for Consumers: Microcomputers

Preston Love has programmed his future on the basis of that aging adage—the future is now. Which is why he opened Datamart, an Atlanta store which functions as a computer center for the consumer.

Mr. Love, who spent 11 years with IBM in data processing, is convinced he isn't ahead of his time. He cites the emerging acceptance of the microcomputer.

"These computers are going to be as common in the home and small business as color television is now," says Mr. Love. "That's not an optimistic forecast; that's happening.

"Technology has taken the computing power that used to cost hundreds of thousands of dollars and occupy a good-sized room and has miniaturized it to a cubic-foot box costing several thousand dollars."

Mr. Love sells a range of microcomputers and components—mostly packaged by a new generation of West Coast computer companies—that are priced from $300 to whatever you want to spend. The simpler ones can be programmed to balance your checkbook; keep track of your social calendar, Christmas card list, and recipes; regulate your lights, heating, cooling, and the pH level in your pool; or play backgammon without beating you.

But will the computer get up at night and feed the baby?

"Not yet," says Mr. Love. "We have the technology, but the cost is still prohibitive. However, computers can be used to prevent crib death. Minute wires are placed underneath the crib mattress, and if there is any irregularity in the baby's breathing, the computer will sound an alarm."

Is America really ready for a computer in every kitchen? "Yes," says Mr. Love. "If you can use a typewriter, you can use a computer. It's that simple."

People in Atlanta apparently agree. They have been flocking through Datamart's doors since the store opened last November. "Our revenues are now more than $100,000 a month," says Mr. Love. "People come in at first to satisfy their curiosity—we do a lot of advertising and promotion. But then they come back, one, two, three times. When they come back the third time, we get out the charge card machine. We know they're sold."



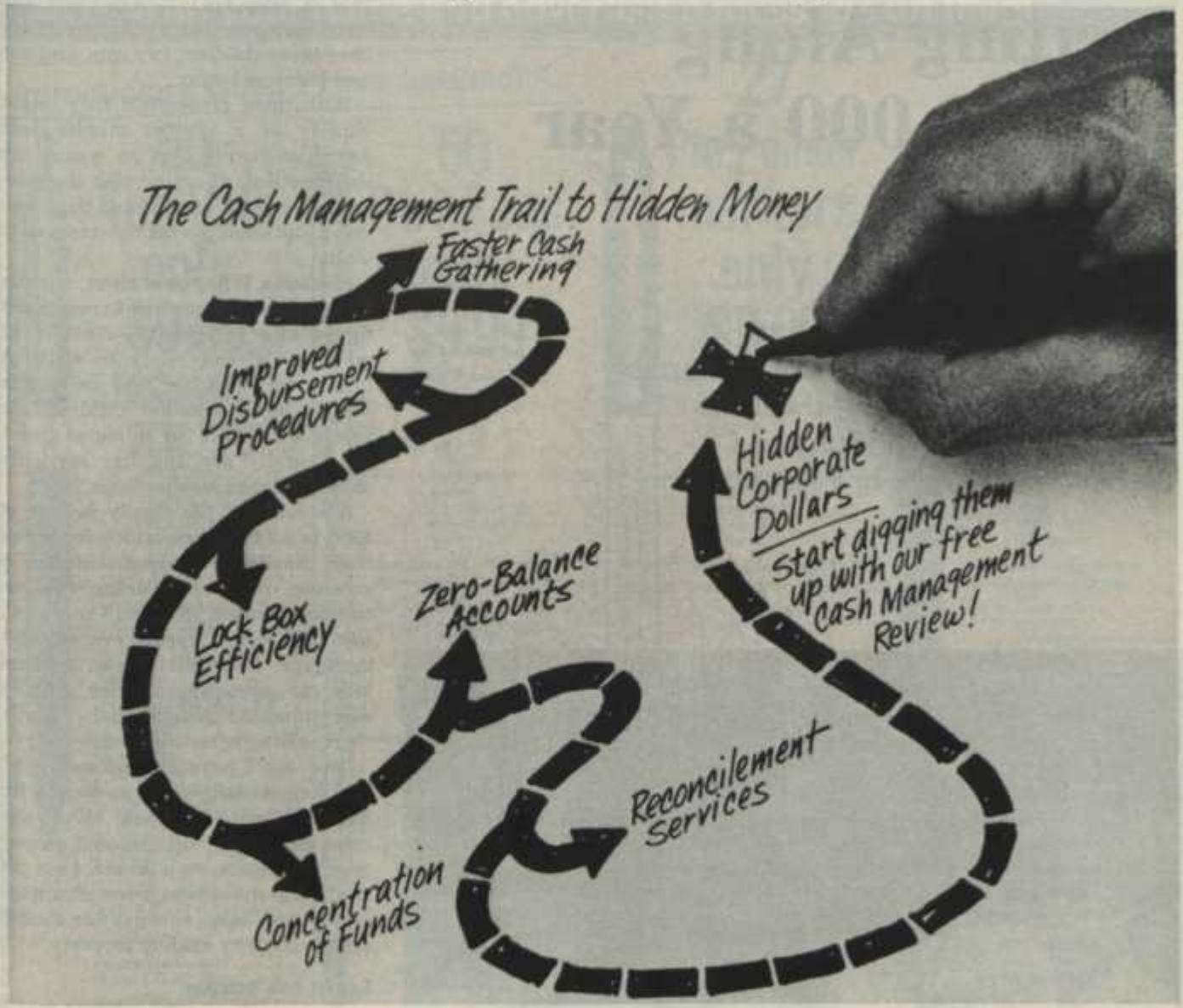
Preston Love believes computers will be as common in the home as television sets.

Datamart is not alone in the microcomputer field. There are about 300 such stores across the country.

"However," says Mr. Love, "our store is specially designed to let the consumer discover computers, to feel comfortable with the hardware. He or she can use the different models, play around with different applications, learn what a computer can do, how it can make life easier. It's not like selling used cars." □

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ONE FAMILY'S STORY

Getting Along on $20,000 a Year

By Priscilla Schwab

Small businessman Ron Elliott and his family manage to live comfortably in these high-cost times—thanks to tight budgeting, tax shelters, and the fact that they are in a low-tax area

PHOTOS: ELIZABETH J. GERTZOFF



Every week, Christina Elliott sits down with the local paper and clips coupons that offer five or ten cents off certain products. She is less interested in brand names than in prices. "I always buy the large sizes," she says.

RON AND CHRISTINA ELLIOTT are both college graduates in their early thirties. They live in Erwin, Tenn., and have been married nine years. They have three children, two cars, and one four-bedroom house.

With those credentials they might qualify as a typical middle-class American family. Not so typical are their methods of coping with the modern exigency of inflation and their feelings about what the tax collectors do to them.

Christina Elliott is a short, slightly plump woman struggling to regain her figure after childbirth—Neal is 11 months old and ready to walk. A former schoolteacher who decided to stay at home with her children, she speaks with a soft but animated drawl, occasionally shaking her stylishly shaped, sunbeam-yellow hair.

She handles the family budget of $250 to $300 a week, which is derived from the $20,000 a year that Ron is grossing from his insurance-real estate-construction business. The budget, says Christina, "covers everything—mortgage, insurance, taxes, medical bills, car payments, groceries, utilities, everything. At the end of the month, there is little or nothing left."

"We don't have savings as such," says Ron, whose voice is as deep as his hair and beard are dark. "With any extra money, we buy a piece of property or real estate. As a broker, I am not entitled to the capital gains advantage on property sales, so we try to shelter some income by holding property."

Light tax burden

Unlike many Americans, the Elliotts do not feel overly burdened by taxes. "There is no income tax in Tennessee, but there is a six percent sales tax on everything except drugs," says Ron. "That obviously takes a bit more of our income. We pay fairly low taxes; we don't have elaborate or expensive services here."

Last year, the Elliotts paid $129.38 in city taxes and $237.02 in Unicoi County taxes on their home, for which they paid $35,000 (putting $12,000 down). Their federal income tax for 1976 was $2,831.66 on a taxable income of $11,711.

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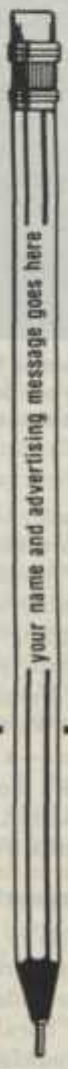
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☐ black (2) ☐ royal blue (3) ☐ red (5) ☐ kelly green (6) ☐ assorted (9)

Choice of ink color
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Choice of point
☐ medium (2) ☐ fine (5)



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- ☐ 300 @ 13¢ = $39.00
- ☐ 150 @ 16¢ = $24.00
- ☐ 50 @ 20¢ = $ 9.99

Choice of ink color
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Choice of point
☐ medium (2) ☐ fine (5)



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- ☐ 300 @ 29¢ = $ 87.00
- ☐ 150 @ 31¢ = $ 46.50
- ☐ 75 @ 34¢ = $ 25.50
- ☐ 27 @ 37¢ = $ 9.99

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- ☐ 1000 @ 6½¢ = $ 65.00
- ☐ 500 @ 8¢ = $ 40.00
- ☐ 250 @ 9½¢ = $ 23.75
- ☐ 100 @ 10¢ = $ 9.99

Choice of color
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Imprint color
☐ gold ☐ black ☐ white ☐ red ☐ blue

Choice of lead
☐ #2 soft (4) ☐ #2½ med (5) ☐ #3 hard (6)

☐ Imprint my message for only $2.50 additional. Imprinted orders may overrun up to 10%

Stri-Pen imprint message (44 characters including spaces) **Please type or print clearly**

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Shopping trips are slightly hectic, what with looking for advertised bargains, checking per-unit prices, and managing three small children.



To save on heating bills, Ron splits logs for the family-room fireplace, which has vents that recirculate the air and help heat the room.



An informal family portrait. Christina Elliott is holding Neal; Ron has Sarah and Paul. "We have done a lot better than our parents have," Christina says. "... I hope our children will have it even better than we do."

and four miles wide that is lushly transformed by spring. It probably epitomizes the best in small-town America—the schools are good, crime is minimal, and life is pleasant.

$2,000 on charge accounts

The Elliotts are far removed from the poverty line. They live comfortably, and they have enough money to pay their bills. But their discretionary income is minimal. "If America did not have charge accounts," says Christina, "I don't know how we would make it. We owe about $2,000 on personal charges. Of course, some of that is from Christmas."

Because Christina does not work, the Elliotts do without and make do. "This is our first house—we moved in two years ago—but I have not bought a lot of furniture, I have not put up new curtains," Christina says. "We acquired our television and stereo when Ron was in the service, and we got other things from our families—my father has a small furniture store in town.

"This year, I bought a winter coat. I haven't had one since 1969, when my mother made me a cape. I went through three pregnancies in that cape. The coat cost more than $100. It's not paid for yet. I also bought three dresses, and I have a couple of pairs of slacks plus a velvet outfit my sister made; that's about the extent of my wardrobe.

"We don't go out a lot. A movie and dinner will come to at least $25, including the baby-sitter. We went to a movie the other week for the first time in a year.

"We took our first real vacation last year—a week in Florida at Ron's uncle's house in Melbourne. But we couldn't have done that if we hadn't had a free place to stay."

Groceries' big chunk

As in any family with growing children, groceries eat up a large chunk of the budget.

"Sarah, the three-year-old, is a real breakfast hound," says Christina. "She'll put away a bowl of cereal, juice, toast, and an egg, all in one morning. Paul, the four-year-old, and Neal, the baby, also eat cereal, but I don't buy the stuff with a lot of sugar in it.

"Ron and I are diet-conscious—I've got 24 pounds to lose—and because of that, it costs us a lot more for groceries. I make all my own cakes and cookies for the children, but Ron and I use diet bread. Last week, it was 57 cents a loaf. I bought a loaf two days ago, and it was 63 cents.

"I don't make casseroles. They tell you in the magazines that this or that meal will cost 14 cents, but when you read the recipe, it's a lot of bread or

macaroni, starchy foods. I don't cook like that. We'll have salad—the older children love it—and a green vegetable, meat, and potato or maybe rice.

"I don't buy brands for the sake of the name. I usually get the brand that's cheaper, the store brand, and I try to hit the specials. I don't feel I have to buy something for that extra softness or pretty print or whatever they advertise. ["Toilet tissue is toilet tissue," Ron says, sotto voce.] I go through the paper every week and clip the coupons, but only for the things I use. And I always buy the large sizes.

"I don't buy candy, and I only occasionally buy canned fruit drinks. Mostly, the children drink apple juice. Our meat here is pretty reasonable, and I get our ground beef from a butcher because it's cheaper. And I don't buy many canned vegetables. My parents had a garden last year, and we have a small freezer.

"We do have a couple of luxuries, I suppose. We all love cheese. I buy it from the delicatessen because it's cheaper to buy two or three pounds off the wheel than to buy the packaged stuff in the supermarket.

"We do have our milk delivered. It costs about three cents more on the half gallon, but I feel I save money because when you drive to the store for milk, you pay for the gas, and while you're there, you pick up a few other things, and you wind up spending more.

"Then there is peanut butter. If we are out of peanut butter, we are really in bad shape. Today we are out of peanut butter." Later that day, after a tour around the supermarket aisles, the Elliotts are back in peanut butter as well as other items and out of pocket $76.84.

Allotment system

Christina has developed an allotment system in budgeting. "I know when the bills are due throughout the month, and I try to have so much put aside to cover them." The system works well—except when the bills don't cooperate.

"Our phone bill is usually due on the 20th of the month. It runs $15 to $20, but January's was more than $30. My sister lives ten miles away, but the call is long-distance, and I called her a lot during the holidays.

"The utility bill was a surprise. The people who lived in our house before us had four children, and their monthly bill was about $85. The first December, our bill was $135, with the thermostat set at 55 degrees. We had even closed off the two upstairs bedrooms and were just living in the kitchen, the den, and the two downstairs bedrooms."

The 1976 winter was severe, and the utility bill, which includes water and sewer, reached $155 a month. This winter was not as cold. The highest bill for the in-ceiling radiant heating and other utilities was $139.

Rough beginning

Ron and Christina were born and raised in the Erwin area and went to East Tennessee State University in Johnson City.

"I graduated in December, and we got married in February, 1969," says Christina. "Ron was in the Air Force then—he was expecting to be drafted and had enlisted. He had orders for Vietnam, but he went to Korea instead."

Before Ron shipped out, in June, 1969, the couple lived in Florida.

"Those were awful months," says Christina. "Ron made $200 a month as an airman first-class, and our rent was $100. I had about $10 a week to buy groceries on, and you had to tip the busboy at the commissary to carry the groceries to the car. That was the way the busboys made their money, so you couldn't very well carry your own groceries. We had a lot of hot dogs and government-issue oatmeal and powdered milk.

"The only thing that kept us going was that we had just gotten married, and gifts of money were still coming in. I don't know that the experience particularly drew us closer together. We certainly couldn't live on love."

When the Elliotts returned to Erwin, Christina got an elementary-school teaching position and Ron went back to East Tennessee State to finish college. He also started working as a real estate salesman for a man who owned a brokerage-insurance business. The Elliotts bought the business with a bank loan in August, 1973.

"We then found out we were going to have Paul," says Christina. "I quit teaching, and then Sarah came along, a little earlier than planned, like two years earlier. We thought she was a virus."

Recession problems

There were several more rough years—the recession that began in 1973 didn't ignore Erwin. "Houses were not moving," says Ron, "and people were dropping their insurance; we

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had layoffs here at some of the plants. One thing about being self-employed is that you don't close the business at five o'clock. You think about the problems every waking moment."

While the recession's effects lingered through most of 1975, "we managed to pull through," says Ron. "Things did get better, and the housing market last year was excellent. But another recession is on the way. We expect 1979, for us, to go right down the tubes."

That judgment is based on the cyclical nature of the property business and the fact that most of the World War II babies have already pretty well settled down to raising families and meeting mortgages.

"There will be fewer and fewer people in the first-home buying brackets," says Ron, "and the industry will reflect that."

Why he works hard

Ron works hard and long hours. He swims half a mile every Saturday at the YMCA pool, "the poor man's country club, to head off my coronary." His goal in his work? "I want to be netting $30,000 to $35,000 a year. That may not be a great deal of money in four or five years, what with inflation, but that is where I would like to be."

To get there, Ron is diversifying his business interests. In addition to selling houses, commercial buildings, and land, he builds starter homes on land he owns, he appraises estates and property, he manages three trailer parks and several apartments, and he has invested in a coal surface-mining venture that he says "looks like it will pay about $100 a month for the next ten years or so."

Philosophically, the Elliotts are optimistic about their future and their children's future.

Belief in self-starting

Says Ron: "It's not because we're a self-made family or because I'm a self-made man. Small business is hereditary in both our families. If we are successful, it will be because we have taken advantage of the opportunities.

"I have a little plaque on my desk. William Jennings Bryan. 'An opportunity is not to be waited for, it is to be achieved.' I believe that."

Says Christina: "We have done a lot better than our parents have. I think our life is so much easier than theirs was.

"Our parents taught us values. They may not have been able to help us moneywise, but they were always there when we needed them. I feel that, if we teach our children the way our parents taught us, then we can instill these values in them. Values like getting an education, being a responsible person, taking advantage of opportunities, believing in God.

"Church plays a big part in our lives. We go every Sunday—the Church of Christ—and the older children have Sunday school. We don't tithe as such because our congregation doesn't believe in it, but we contribute about as much as a tithe. And if Ron has a closing or other special income, a certain amount will be given to church.

"Overall, we have been very fortunate. I hope our children will have it even better than we do." □

THE ELLIOTTS' BUDGET FOR ONE MONTH

Utilities	
Electricity	$108.99
Water and sewer	14.67
Mortgage	178.00
Insurance	
House	17.41
Life	34.00
Military	2.55
Medical	42.00
Car	32.00
Groceries	182.00
Milk Delivery	33.00
Drugs, Toiletries	25.00
Car Payments	
Company car	134.00
Station wagon	94.00
Telephone	33.00*
Cable Television	8.75
Church	100.00**
Incidentals	
Various store charge accounts, magazines, newspapers, dry cleaning, visits to doctor or dentist, etc.	150.00

* The usual monthly phone bill is $15 to $20.

** The weekly contribution is $25, but occasional special gifts increase that total for the year.

TRAVEL: A RISING STAR IN THE NATION'S ECONOMY



By Grover Heiman

IN 1888, Ward Foster, a St. Augustine, Fla., gift shop operator, hung a new sign outside his establishment—"Ask Mr. Foster."

For years, he had freely dispensed travel information and other assistance to tourists visiting the United States' oldest continually inhabited city. Recognizing opportunity, he came up with a new idea—marketing his expertise as a travel agent.

That same year, Thomas Cook, an English entrepreneur who had started the travel agency industry in 1841, was preparing to bring tour groups over to visit a new American attraction—Yellowstone National Park. And American Express Co., which would later start a travel service for Americans abroad, was preparing within a few years to market a marvelous aid for those travelers—the traveler's check.

Today the travel service Mr. Foster started is first in the U. S. in number of offices—127. American Express and Thomas Cook are second and third, respectively, though their operations in other countries give them overall numbers far exceeding Ask Mr. Foster's.

All three have one thing in common right now with approximately 1.4 million firms in the United States involved in the business of travel—a focus on the fact that summer is coming.

Unless the price of gasoline goes out of sight, the familiar family-car caravans will be rolling on every interstate highway this summer as Americans head for the four points of the compass on the traditional vacation.

Paths cross on high

Overhead, jet airliners, loaded with Americans on business or pleasure, will be crisscrossing the nation. Other airliners will be streaking for historic European spots or exotic tropical islands. Passing them in the cold stratosphere will be airliners bringing foreigners to see America, from the bright lights of New York City to the broad vistas of the once-wild West.

The American travel industry is one of the least understood and appreciated segments of business in this country.

Directly and indirectly, travel activities will represent an estimated $160 billion in the nation's economy this year. Travel will provide 5.75 million jobs.

Third largest industry

Travel generates approximately seven percent of the nation's gross national product, making it the third largest industry, behind food and construction.

Currently, spending by foreign visitors makes travel the nation's fourth largest export industry, after machinery, transportation equipment, and agricultural products. And the industry is growing each year.

The broad industry called travel includes those businesses which totally or in part provide means of transportation, goods, services, accommodations, and other facilities for travel not related to local day-to-day activity.

While there are many major firms in all segments of the industry, approximately 99 percent are small businesses. Whether the firms are large or small, the industry stands out among major U. S.

This is the first of a series of Special Industry Reports which will run in NATION'S BUSINESS. The next three will be on construction, financial services, and defense.

industries as a creator of jobs, especially for minorities, women, and youth—the groups that most need new jobs.

In many nations, tourism is even a more important industry than it is in the U. S.—in some, it is No. 1. Futurist Herman Kahn, of the Hudson Institute, and two associates predict in their book, "The Next 200 Years," that tourism will be one of the largest industries in the world by the year 2000.

William T. Seawell, chairman of Pan American World Airways, says that international tourism now amounts to $51 billion annually and sees it rising to $150

On Capitol Hill and elsewhere, Sen. Daniel K. Inouye is called Mr. Travel.



billion in today's dollars within ten years.

Fabian Chavez, Jr., assistant secretary of commerce for tourism, points out that even today tourism constitutes one of the largest single items in world commerce, exceeding trade in ores and processed iron and steel.

Mr. Chavez heads the United States Travel Service, which was established in 1961 to attract foreign visitors to our shores. Slightly more than four percent of U. S. exports of goods and services is in sales to foreign visitors. To increase this percentage, the Travel Service has a $14.6 million annual budget, which is minuscule compared to budgets of similar agencies in other nations.

Not generally recognized by Americans is the growing importance of foreign tourism and travel dollars. In 1972, Americans traveling overseas spent $3.3 billion more than foreigners coming to this country. But now more foreigners are coming, and the negative balance of travel was whittled down to $2.6 billion last year.

Offset to oil bill?

Not too far in the future, the U. S. travel account may be in the black and helping to offset our rising imported oil bill, which the Department of Energy estimates will be more than $47 billion this year.

The travel industry may well be our newest economic star. Today about 65 percent of the national output is services, and travel is a fast-growing part of the service scene.

In three states—Hawaii, Florida, and Nevada—travel is the No. 1 industry. In 33 other states, travel is recognized as one of the three most important industries.

Dynamic Fabian Chavez, Jr., of New Mexico, heads the U. S. Travel Service.



While the industry withstands the ups and downs of the economy better than most parts of the private sector, it is particularly affected by what happens in the transportation industry.

Dependence on energy

Travel's value to the economy was highlighted during the Arab oil embargo of 1973-74 when one of the Washington-type solutions was a plan for rationing gasoline. An alarmed travel industry rushed to Capitol Hill with sobering statistics—$100 billion annually spent on travel and more than four million jobs depending on it. A ten percent fuel reduction would result in 400,000 more unemployed.

There was one benefit to the embargo, notes Sen. Daniel K. Inouye (D.-Hawaii), the chairman of the Senate Subcommittee on Merchant Marine and Tourism. Until then, the various elements of the travel industry had not talked to each other about common problems, he says, but this crisis brought them together.

"You had the family gathered for the first time in one room," he says. "Now they have begun to see the light."

Concerted action, however, is still not the rule in the travel field.

Only in the past year has the U. S. Travel Service been given any responsibility for domestic travel promotion, which generally has been left to the governments of the states and Puerto Rico, enterprising cities such as New York, Miami, Las Vegas, and San Francisco, and resort areas ranging from the Virgin Islands to Aspen.

Most domestic travel promotion is done by private firms and such groups as the Discover America Travel Organizations, Inc., national trade association of the travel industry.

"Since the end of World War II," says DATO President William D. Toohey, "there has been a threefold increase in travel and tourism in the United States."

Key factors, he emphasized recently to the White House Conference on Balanced National Growth and Economic Development, have been the construction of the interstate highway system and the impact of large jet airliners on commercial passenger transportation. A continuing problem, he notes, is putting the industry in perspective for Congress, the administration, and the public at large.

Impact probably understated

"There is no way to tell exactly how much money is spent directly or indirectly on travel," says economist Daryl L. Joline, of the U. S. Travel Data Center, an independent, nonprofit research organization.

This is because of the multitude of businesses involved. It is no simple matter, for example, to calculate the spending involved in preparing for a trip—which might mean a new tennis racket, a wardrobe, or a complete tune-up for the family car. Travel, therefore, is not listed as a separate industry by government agencies that gather statistics and make projections.

The Travel Data Center prepares impact studies, the latest calculating the effect of travel on state economies in 1976. In the bicentennial year, expenditures directly attributable to travel on all overnight trips and day trips in excess of 100 miles rose 28.3 percent over 1975 to a total of $108.3 billion. (See box on



PHOTO: UNITED AIR LINES

Famed Waikiki beach (left) attracts swarms of Americans and foreigners to spectacular Hawaii.

At a paddlewheel pace, the Delta Queen takes voyagers on nostalgic tours of the Mississippi and Ohio rivers.



Casinos, such as this one in Las Vegas, are scheduled to open in Atlantic City, N. J., bringing waves of visitors.



Like the swallows, many thousands of visitors each year come to visit California's San Juan Capistrano mission.



Jet travel brings skiing only hours away for challengers of snowpacked slopes like those at Aspen (below).



Not too many years ago, the passenger railroad was well on its way to becoming a museum piece, but Americans have not totally abandoned this more leisurely way to travel and view the nation's beauties. About 20 million were rail passengers in 1977, an increase of 1.2 million over 1976. Amtrak expects ten percent more this year.





Because of new, special low fares, passengers are taking longer bus trips. After years of decline, the regulated carriers, and charter and special service lines expect a small passenger increase in 1978. An estimated 330 million will leave the driving to others and relax on 20,000 buses that serve 15,000 American cities and other communities.

Theme parks (below) attract millions of family vacationers, but no new ones are being built now.



America is blessed with breathtaking scenery, such as Navaho Loop Trail in Bryce Canyon National Park (below).



TRANSPORTATION: Capital Shortage Will Plague Airlines in the 1980's



Scheduled airliners, operating out of major terminals such as Newark International, carried more than 240 million passengers in 1977.

Travelers cheered when some major airlines recently announced proposals for whopping discounts, but some industry observers wondered if the airlines weren't proposing economic suicide in the light of their need for capital in the years ahead.

In recent years, profits haven't been anything to do loops about, and a 30 percent discount means a carrier must generate 43 percent more passengers to produce the same amount of revenue.

There are many potential customers. Although the scheduled airlines carry about 80 percent of intercity commercial travelers, a Gallup survey finds that 55.5 million Americans have never flown.

The scheduled carriers moved approximately 240 million passengers last year, says Paul R. Ignatius, president of the Air Transport Association, the industry trade group. ATA sees a five percent annual growth rate for the next several decades, projecting 480 million passengers by 1987 and 720 million in the mid-1990's.

While fares may drop, industry experts warn that operating costs are not. A few years ago, domestic jet fuel sold for 11 cents a gallon. Today it is averaging around 38 cents. Every additional cent in the price of a gallon of fuel today means about $100 million less in profits to the carriers, which need capital to pay for the new aircraft they must have in the 1980's.

Other operating costs are prohibitive, too. For example, the average salary of the 300,000 employees in the airline industry is now $25,000 per annum, says Dr. George W. James, senior vice president and economist for ATA.

As for capital needs, ATA estimates that the scheduled airlines will have to invest about $60 billion in new equipment in the 1980's to meet tough noise standards set by the Federal Aviation Administration and to handle the increase in traffic.

Because of staggering development costs for new aircraft, the outlook is for refinement of today's basic designs. The resulting newer versions of existing airliners probably will feature wing technology that will permit faster speeds with less power and more fuel-efficient and quieter turbojet engines.

"We can expect continuing improvements in aircraft technology—particularly to improve fuel efficiency," says Richard J. Ferris, president of United Airlines. "But it's doubtful that we'll have supersonic transports in domestic service or a great increase in the frequency of flights by the year 2000. What we will see is more traffic carried on larger aircraft as routes grow to support the efficient use of bigger planes."

One financing concept that has strong industry support is embodied in H. R. 8729, the Airport and Aircraft Noise Reduction Act. This legislation, if passed, would impose a surcharge on airline passenger tickets and freight waybills to create a fund for use by the airlines to help finance the purchase of new airliners or to modify existing ones. Current airport and airway surcharges would be reduced by a corresponding amount; thus there would be no additional cost to passengers and shippers.

Healthy growth is forecast for the supplementals—the charter-only type of air carriers—by Edward J. Driscoll, president of the National Air Carriers Association, Inc.

He predicts that travel by charter in 1978 will exceed the 7.2 million passengers carried in 1977. Package tours and three-stop inclusive tours will continue to be strong, Mr. Driscoll says. But advanced booking flight markets won't be strong unless the Civil Aeronautics Board approves one-way trips instead of round trips. This, Mr. Driscoll says, would permit the supplemental carriers to be competitive with the lower promotional fares offered by scheduled airliners.

A different regulatory atmosphere appears to be developing in Washington. Alfred E. Kahn, CAB chairman, has advised the airlines to expect a more competitive environment.

Speaking to the New York Society of Security Analysts in February, he predicted that the board will be more willing to grant applications for new routes, especially if they are accompanied by proposals for lower rates, and will be sympathetic toward applications by supplemental airlines to engage in regularly scheduled service.



In the 1980's, airlines must replace older, noisier jets with quieter models such as this Boeing 737.

LODGINGS: A Building Surge Ahead

In the 1977 presidential campaign, Jimmy Carter the traveler didn't necessarily endear himself to the lodging industry. While staying overnight in private homes may have been a just-plain-folks touch, it hardly brought joy to the hearts of innkeepers.

Mr. Carter's carrying of his own luggage smacked of democracy in action, but bellhops and porters weren't applauding.

Also, there were joking comments about Holiday Inns, Inc., by running mate Walter Mondale. The world's largest lodging chain, which last year had revenues of $1.035 billion, doesn't particularly want people to get the impression that everything is stamped out by a giant machine at the system's Memphis headquarters.

Michael D. Rose, Holiday Inns' hospitality group president, who says the 279,513 rooms in the system's 1,704 inns were occupied by 72.6 million travelers in 1977, predicts continued growth for the lodging industry in 1978. But he and other industry experts see trouble coming from Washington.

"The current irrational discussion of the so-called three-martini lunch—which is a figment of someone's imagination—could have an impact on occupancy and sales in 1978 which would put the lodging industry in serious financial difficulty," says John Lesure, a partner in the accounting firm of Laventhol & Horwath, which maintains reliable statistics on the industry.

Mr. Lesure notes there was a general decline in convention travel in 1962 due to similar proposals for tax revisions. By early 1963, occupancy was down two percent and sales volume was down four percent.

Prospects for 1978, Mr. Lesure points out, are further clouded by the new minimum wage increases and the rise in Social Security taxes, which will cause payrolls to jump 15 percent. To this must be added the higher costs of all purchased goods and services.

"I expect room rates to increase ten to 12 percent," Mr. Lesure says. "Unless travel increases sharply in 1978, even those rate increases will not be adequate to maintain the profit levels in the industry, low as they are. As in the past three years, inflation will be the major problem in 1978."



By adding 600 rooms, the Las Vegas Hilton becomes the free world's largest hotel, with 2,739 units.



Since more and more Americans are dining out, it is difficult to tell the traveler from home folks in most of the 364,000-plus eating places around the country, such as this one overlooking picturesque Marina del Rey, which is just ten minutes from downtown Los Angeles.

Barring significant changes in the economy, Mr. Lesure believes this will be a reasonably good year for the lodgings industry. Occupancy rates are expected to be around 70 percent in contrast to the 68 percent posted in 1977. Sales are predicted to be slightly above $18 billion, as against an estimated $16.6 billion in 1977.

The American Hotel and Motel Association calculates business and convention travel accounts for 55 percent of the lodging industry's income. Commerce Department analyst Elizabeth Owen, who keeps such statistics for the government, says that many resort hotels and downtown hotels and motels derive up to 80 percent of their income from business travel and conventions. Barron Hilton, president of Hilton Hotels Corp., predicts an upswing in convention business this year.

The food service business, much of whose revenues come from travel, also looks for continued growth. (Holiday Inns is America's second largest food service supplier, after McDonald's.) Sales are projected to total $93.7 billion in 1978, up 9.1 percent over 1977. According to the National Restaurant Association, there are more than 535,000 commercial and institutional food serving units, of which 364,000 are commercial establishments. These firms expect a ten percent growth in sales in 1978.

For the fourth year in a row, construction of hotels and motels declined in 1977. But there are signs of an upward trend, the American Hotel and Motel Association says. In a recent survey, 100 lodging chains indicated plans to build more than 80,000 rooms in 1978 and more than 90,000 in 1979. These chains constructed 77,000 rooms last year.

As an example, Holiday Inns plans to add 35,000 rooms to the system in the next five years, the equivalent of what today constitutes a major chain.

At a travel industry forum in Washington, held at the start of the year, a study by Laventhol & Horwath emphasized that occupancy rates have been rising over the past two years. A study of trends over the past 50 years shows that when occupancy rates have risen for two or three years, there is usually a flurry of new construction, which is absorbed by increases in travel in four or five years.

If residential construction falters this year, Laventhol & Horwath's Mr. Lesure sees hotel and motel construction surging late this year and into 1979 to take up the slack.

Meanwhile, the Commerce Department predicts that there will be a continuation of the trend of major lodging firms operating properties by management contract, rather than under direct ownership, to expand their earnings base without the risks inherent in ownership.

page 102 for impact on certain states.) Mr. Joline calculates that spending directly related to domestic travel in 1976 generated $14.7 billion in tax revenues for federal, state, and local governments. Of this, $8.1 billion went to the federal treasury, $5.7 billion to the state governments, and $900 million to local governments. To this must be added $900 million in taxes paid by foreign visitors to all three levels of government and $100 million collected by Puerto Rico and the Virgin Islands.

Good years, back to back

Travel industry receipts were up an estimated $13.3 billion in 1977, or a 9.3 percent increase over 1976. After factoring out inflation, this represents a real increase of three percent. The U. S. Travel Data Center estimates travel, directly and indirectly, accounted for $156.7 billion in spending in 1977. This included $65.2 billion for transportation, $15.2 billion for lodgings, $57.7 billion for food service, and $18.6 billion for amusements and incidentals.

At the end of 1977, experts from government and industry assembled in Washington for a forum to assess the travel industry's future. The forum participants concluded the industry would again outperform the general economy this year.

"We expect continued moderate growth in traffic and travel spending, with nearly all sectors participating in the advance," says Dr. Douglas C. Frechtling, director of the U. S. Travel Data Center, which sponsored the forum with The Travel Research Association.

The 1978 forecast from the forum:

- Scheduled air transportation should post a five to six percent increase in passengers.
- Intercity bus traffic should be up one percent.
- Amtrak ridership should be up ten percent.
- Travel-related food and drink industry sales will be up nine percent.
- Vacation trips by private auto will increase 1.5 percent.

More visitors from abroad

Good news for the general economy are the steady increases in the numbers of foreign travelers coming to the U. S. and the amounts of money they leave here.

Beverly Shipka, U. S. Travel Service director of research and analysis, notes that pleasure travel by foreigners in this country is increasing at a faster rate than business travel.

According to Ms. Shipka, the 23.5 million Americans expected to travel overseas this year will leave behind $11.4 billion. In contrast, the 20.1 million foreign visitors trekking to the U. S. on pleasure and business will spend $8.8 billion.

Who is coming to call this year?

Sixty-four percent will be from among our neighbors to the north—an estimated 12.8 million Canadians are expected. Eleven percent will be from among our neighbors to the south—2.2 million Mexican visitors are anticipated.

Overseas visitors will total around 5.1 million, a 13 percent increase over last year. USTS predicts an 11 percent growth in European arrivals, an improvement on the average annual growth rate of nine percent posted in recent years. The overseas nation with the largest number of visitors to our shores? Japan, with 850,000.

Changing population mix

What lies ahead in the 1980's?

Changes in America's population will have a major effect on the travel industry. Dr. Frechtling points out that the population will grow collectively older and that the proportions of single adults and childless married couples will rise.

These changes mean more income will be available for travel, he notes.

The 35-to-44 age group, which has one of the highest travel rates, will increase 36 percent by 1985, while the total population will increase nine percent. By 1990, this travel-prone group will have increased 58 percent.

In contrast, the 18-to-24 group, the one least likely to travel, is projected to decline 11 percent.

The travel industry will also benefit from the fact that the nation's fastest-growing income group is the one with more than $25,000 per annum.

By 1990, this affluent slice of America is expected to grow more than 350 percent. The shift in income should generate 39 percent more trips annually.

While there are many variables affecting foreign travelers coming to our shores, not the least being energy, the outlook is good. USTS estimates that total foreign arrivals will increase 56 percent by 1985 and that total receipts from these visitors will exceed $11.5 billion in that year—a 70 percent growth.

David L. Edgell, of USTS, conservatively estimates that by 2000, there will be 43 million foreign visitors to the U. S. annually and that they will spend $19.5 billion in 1976 dollars.

Problems in Washington

A great deal of the travel industry's future will be affected by actions taken in

AUTO TRAVEL: The Lasting Love Affair

America's love affair with the automobile shows no signs of cooling, according to the latest survey by the 3M National Advertising Co. The company's surveys are widely used by the travel industry in between five-year surveys of the travel picture taken by the Census Bureau, the latest of which is due out this summer.

The 3M surveyors found that, if the price of gasoline rises to 80 cents a gallon, 80 percent of vacationers would make no changes in their plans to take a trip in the automobile, 16 percent might be inclined to shorten the trip, and four percent would make other changes in plans. Only about half would change their plans even if the price went to $1.20.

Auto vacations are a major industry. In 1977, approximately 36.9 million households took one or more vacations in the family auto and spent $48 billion. This year an estimated 39.5 million will vacation by auto, and spending is expected to top $55 billion.

Many choosing to travel by other means often use rented cars at their destination. There are approximately 375,000 cars in the rental fleet. Hertz Corp. predicts a ten percent increase in revenues for the industry this year. Last year's revenues—$1.6 billion—also represented a ten percent increase.

An estimated 85 percent of rental car revenues comes from business users, with 52 percent of business travelers using rental cars ten or more times each year.



BILLION-DOLLAR STATES

Spending on travel is big business in *every* state. The U. S. Travel Data Center says there were 32 states in 1976 that had revenues in excess of a billion dollars. But the figures below don't tell the complete story because they only include expenditures for overnight trips and for day trips in excess of 100 miles.

	(millions)
California	$12,449.6
Florida	$ 9,325.5
New York	$ 6,417.1
Texas	$ 6,076.1
Pennsylvania	$ 4,690.2
Michigan	$ 3,847.6
Illinois	$ 3,768.5
New Jersey	$ 3,184.7
Ohio	$ 3,183.5
Minnesota	$ 2,973.4
Massachusetts	$ 2,658.6
Missouri	$ 2,530.4
Wisconsin	$ 2,434.3
Georgia	$ 2,363.1
North Carolina	$ 2,244.1
Virginia	$ 2,230.0
Colorado	$ 2,229.6
Washington	$ 2,149.0
Tennessee	$ 1,881.9
Arizona	$ 1,876.8
Louisiana	$ 1,814.5
Maryland	$ 1,753.9
South Carolina	$ 1,704.6
Indiana	$ 1,627.7
Kentucky	$ 1,543.4
Oregon	$ 1,541.1
Oklahoma	$ 1,375.6
Nevada	$ 1,330.4
Hawaii	$ 1,275.5
Connecticut	$ 1,050.7
Arkansas	$ 1,041.8
Alabama	$ 1,031.3

Washington. Energy programs will have a decided impact, as will the outcome of the Civil Aeronautics Board's move toward deregulation of airlines and what happens to tax proposals to aid airlines in financing new equipment.

Added to these is the most immediate threat to the industry—the Carter administration's proposals to wipe out or reduce tax deductions for business entertainment, foreign conventions, and first-class airline tickets.

Sen. Inouye's Merchant Marine and Tourism Subcommittee is slated to circulate this month the third in a series of significant studies on the travel industry. The study, which was authorized in mid-1974, is expected to culminate in omnibus legislation to establish a national tourism policy.

The senator contends such a policy is needed to assure that the federal tourism effort effectively responds to national interests, the needs of state and local governments, and the private sector.

While most major European nations have the equivalent of a department of tourism, Sen. Inouye doesn't think the United States is ready yet for one, but he does think the U. S. needs a national policy to underscore the importance of the travel industry and to orchestrate federal activities.

"We presently have about 50 agencies involved in carrying out some 100 tourism-related activities with absolutely no coordination," he says.

The senator warns that "we are in a crucial period even before we try to establish a national policy."

He is shocked by what he feels is the administration's apathy toward the travel industry and by some of the tax proposals. Limiting the business-lunch tax deduction would be a potential cause of further unemployment, he says. "The very people we are trying to help—the waiter, the busboy—may well be hurt by this!"

Also, he says, the lunch deduction proposal is evidence of a lack of understanding of how business is often conducted.

"A Japanese businessman would be able to take the customer to the finest restaurant and the American would have to stop at a club sandwich," he says.

"All of us, whatever our business, have tools of the trade, and I think lunch is a legitimate tool of the businessman."

He also wants repeal of the 1976 tax changes that put severe restrictions on tax deductions for Americans attending conventions abroad. New Carter tax proposals that would further tighten these restrictions could lead to retaliation, he says.

"If we close this up more and stop Americans from having conventions abroad, the Canadians, for example, may retaliate," the senator says. "Do you know there are more Canadians holding conventions in the United States than there are Canadians having their conventions in Canada?"

Another antitravel proposal he decries is the one that would allow business travelers to claim tax deductions only for economy-class travel fares—not first-class fares—as a business expense.

More than dollars

The senator plans to keep applying pressure to create a better climate for the travel industry.

"The United States is the most blessed of all countries when it comes to travel and tourism," he says. "We have the best attractions in the world. All countries have something to offer, but we have it all."

Yet he sees travel as more than just a producer of dollars. He sees some time in the future a fuller awakening by the American public to the value of travel and vacations for mental and physical well-being.

"When we reach that point, I wouldn't be surprised if we had a Department of Tourism—but that's a long way off," he says. □

To order reprints of this article, see page 38.

BUSINESS TRAVELERS: A Boon to Agencies

The temperance movement and a new form of transportation inspired a prosperous English cabinetmaker named Thomas Cook to hire a train in 1841 to take 570 people on a 22-mile round trip between Leicester and Loughborough to attend an anti-Demon Rum convention.

Soon, along with furthering the temperance movement, Mr. Cook was packaging tours and leading tourists to the Continent, the Holy Land, the U. S., and—in 1872—around the world. The industry he started does well in the U. S. today.

A Harris Survey for "Travel Weekly" found that in 1976 the 12,240 travel agencies in the U. S. had sales of approximately $15 billion. Business travel accounted for 39 percent, and combined business and pleasure, for 11 percent.

A significant trend in the industry since 1970 has been an increase in corporate business. Twenty-eight percent of bookings came from such clients in 1970, and 37 percent in 1976.

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from $300 to $1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reimbursement plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning $20,000 the first $600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over $30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised $96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, **How To Form Your Own Corporation Without A Lawyer For Under $50**, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

As a bonus for ordering my book now, I'll send you absolutely free a portfolio of valuable information. It's called "The Incom Plan" and normally sells for $9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 25% without an increase in salary or even changing jobs in many cases. If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all I.R.S. guidelines. "The Incom Plan" includes forms, examples and sample letter agreements to make it possible.

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Last Words That Should Be Famous

WHY DO SENATORS OR REPRESENTATIVES decide not to seek reelection?

Most often they cite such reasons as a desire for other office, advancing age, family commitments, and a wish to return to a more private, less hectic life-style.

But one of the 47 members of Congress who plan to retire at the end of this session has listed reasons that provide a searching insight into the legislative branch.

That member is Rep. Otis Pike (D.-N. Y.), whose observations, based on 18 years' service in Congress, should be highly relevant to business people seeking a better understanding of what happens on Capitol Hill.

These are excerpts from Rep. Pike's explanation of why he will not run for another term:

"I feel increasingly uneasy with the never-ending fiscal irresponsibility of the majority of my own party and the absolute indifference of both political parties to inflation, the size of our annual deficit, our national debt, or any obligation to pay our bills and balance our budget.

"The Republicans pay lip service to these things and then vote overwhelmingly to increase defense spending, start new pension programs and revenue-sharing programs, increase tax credits, and increase tax cuts, every one of which must, of course, increase both the deficit and the debt.

"The Democrats vote to increase welfare programs, education programs, and health programs. They recognize every national need except the need to pay our bills.

"In any event, neither the Democratic Party nor the House of Representatives is a comfortable place for a congressman who believes that people should earn what they can, save what they can, pay their bills, and balance their budgets. And that nations should do so, too.

"I am tired of pretending that the accumulated wisdom of the ages has been secretly entrusted only to Democratic candidates and officeholders. . . .

"Some Republican congressmen are great. . . . I would like to feel free to say so without being accused of treason or ingratitude.

"The work of congressmen has increased greatly, and that's okay. So has our pay. But so much of the work is nit-picking trivia. . . .

"No congressman minds working hard on important issues. Lord knows there are enough of them around, but this congressman is weary of wasting his time on drivel.

"Will I miss it? Lord, yes, I'll miss it. Congressmen are treated, in Washington at least, like little tin Jesuses. Seven employees are there to fetch me a cup of coffee, get me a hamburger, look things up, take dictation, pamper me, flatter me . . . and generally ease my way through life.

"I'll miss not seeing the Capitol dome out of my office window, having 'U. S. Congress 1' on my license plate, being able to park where other mortals can't. . . .

"It's a real ego trip, but I've taken the trip, and it's time to cruise on other waters."

Retirees and retirement speeches are soon forgotten, but Rep. Pike's valedictory might well survive as an insider's guide to Congress. □

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